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ABSTRACT

The papers contained in this special report were written as background material for a national conference. Following a conference summary, the following papers are included: "Labor Market Intermediaries: An Overview"; "A Reexamination of What is Known about Jobseeking Behavior in the United States"; "The Public Employment Service as a Labor Market Intermediary"; "The British Public Employment Service"; "The Role of Help Wanted Ads"; "An Analysis of the Temporary Help Industry"; "The Socio Economic Roles of the Temporary Help Service in the United States Labor Market"; "Hiring Halls as Labor Market Intermediaries"; "The Private Employment Agency as a Labor Market Intermediary"; "Community Based Organizations as Labor Market Intermediaries"; and "From School to Work: The Experience of Bell and Howell Schools in Matching Graduates to Careers." A list of conference attendees concludes the report. (JH)

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Labor Market Intermediaries

U.S. DEPARTMENT OF HEALTH,
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A Special Report of the
National Commission for Manpower Policy
Special Report No. 22
March 1978

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The papers contained in this Special Report were written as background material for a conference sponsored by the National Commission for Manpower Policy. The opinions expressed are those of the authors and do not represent the opinions or policy of the Commission or any other agency of the United States Government.

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FOREWORD

The National Commission for Manpower Policy is pleased to make available to interested government officials and to the public the results of a Conference on Labor Market Intermediaries which it sponsored in Washington on November 17, 1977.

The initiative for the conference and the financing came from the Office of the Assistant Secretary of Labor for Policy, Evaluation, and Research. The Department of Labor and the Ford Foundation provided the Commission with financial support for the conference. Mr. Patrick O'Keefe, the Deputy Director of the Commission assumed the principal responsibility for arranging for the background papers, hereafter reproduced, as well as for the other aspects of the conference.

This report does not include Professor Lester Thurow's insightful opening presentation (he spoke from notes that were later misplaced) but the principal points which he put before the conferees are included in my summary.

Note should be taken of two contributions from the private sector that were elicited by the Commission, that of Bell and Howell Company and Manpower, Inc., each of which offered the participants special insights into the variegated roles of intermediaries.

As the summary helps to make clear, more issues were raised during the conference than could possibly be answered given the constraints of knowledge and time. But a scanning of this report--and even more a careful reading of the papers--should help to identify and sharpen the part that intermediaries do, and can play, to help improve the operation of labor markets in the United States. As such it provides direction for both policy and research.

Through the courtesy of John S. Cassels, Director, Manpower Services Commission of the United Kingdom, the conferees also had before them a brief account of

that country's recent innovative departure in restructuring its employment service.

It is my pleasant duty to acknowledge with thanks the contribution of all who helped to bring this conference to fruition--those who helped to plan, finance, organize it and particularly the writers of background papers and the participants whose active interchange provides the heart of this report.

ELI GINZBERG
Chairman

I. CONFERENCE SUMMARY

Eli Ginzberg

Lester Thurow started the Conference by raising six aspects of intermediaries in the form of quasi-paradoxes.

- First, if you improve intermediaries you may increase the unemployment rate by encouraging people to look for better jobs in greater numbers than in the absence of good intermediaries.
- Secondly, if you had better intermediaries you might get more job quits; but that wouldn't necessarily be bad because people might make a better fit between themselves and the jobs, thereby contributing to both the improvement of productivity and their own satisfaction.
- Thirdly, better intermediaries might improve the matching process in the labor market and thereby reduce the costs of job search.
- Fourthly, he thought that one should concern oneself with the question of transaction costs; they are probably substantial. It doesn't follow that the retention of people on the same job for long periods of time is necessarily optimal either from the employer's or the individual's point of view.
- Fifthly, he emphasized that after you think about outcomes in terms of preparation for the labor market and what happens to people in the labor market, the human capital theory accounts for about 20 percent and 80 percent depends on something that he called luck. He didn't know whether that wasn't a better way to run a society, rather than have a meritocracy reward everybody in terms of his or her talent.

--Finally, he called attention to the importance of improved intermediaries as a possible mechanism to reduce discrimination and improve equity.

Those were the six points that he put before us.

During the ensuing discussion the following additional six points emerged:

- Does one need intermediaries more when the labor market is tight or loose?
- What is the preferred environment for larger public investments in intermediaries, in tight or loose labor markets?
- Since ours is a pluralistic economy and society with room for all kinds of intermediaries, and with the private ones making a living, what is there to worry about?
- With economists relying increasingly on job search theory to explain labor market behavior, the question was raised as to the relevance of the theory for the problems at hand. Thurow thought that job search theory was flawed because it conceptualizes the problem primarily in terms of unemployed people who are searching, rather than people who are either employed or unemployed looking for a job.
- The issue came up about how does one distribute unemployment in a society? Are we not fortunate that at any one point in time we have seven million people unemployed who are not the same seven million throughout the year? Is this not a contribution to holding the society together? Most people have relatively short spells of unemployment.

- Another issue that surfaced focused on whether intermediaries should concentrate on submarkets and special client groups, in particular areas and occupations. It may not be useful to talk about intermediaries in general. It is interesting to note that the largest intermediary, the Federal-State Employment Service, is far from a comprehensive intermediary.
- Finally, there was an interesting point raised about the rising natural rate of unemployment. Thurow mentioned that quality improvements on the supply side (e.g., the level of educational attainment) that used to be considered important for lowering that rate had been lost in the shuffle as we are trying to make our peace with a higher level of unemployment. In the 50's and 60's, we used to pay much attention to the fact that the quality of the labor supply was increasing, and assumed that this would lead to a lower natural rate of unemployment. We lost that view somewhere along the way.

Quinn Mills recommended that more attention be focused on the changing nature of the economy and the labor force. He saw an increasing concern for job security and a further rigidification of the labor market; an increasing shift of the occupational/industrial structure toward services; and greater use of the law and administrative actions to alter the distribution of jobs among applicants. With respect to the last he suspected that a point of diminishing returns had been reached.

Seymour Brandwein noted that new mechanisms currently being put into place such as the evolving CETA system, revenue sharing, community development funds, all had implications for the matching of people and jobs. Moreover the new structures include State Manpower Services Councils and local manpower councils. While their impact remains to be revealed their potential may in the long run prove to be substantial.

Brief discussion centered about whether intermediaries might be able to do a better job if the forecasting future demand could be strengthened. But there was skepticism about accomplishing such an improvement. The focus of the discussion then shifted from improving the forecasting of demand to the need that many workers would face for retraining if they were to be able to cope with changes in the market place. From that vantage there would be a need for more and for better information and placement services.

In exploring the nature of an intermediary and the functions it should perform, the following three points emerged. An intermediary could be viewed as a pure placement agency. People came to it, they were job ready, they were looking for jobs and the intermediary helped to place them. Or one could think of an intermediary as a linked training and placement agency. In this case the training institution would be extended to carry out placement functions, such as is common in technical and professional schools. Or thirdly, one could conceive of a joint relationship between training institutions and placement agencies. These three variations which surfaced do not of course exhaust the picture.

Attention was directed to the condition of a million job vacancies in the face of seven million jobseekers. What accounts for the slippage in the matching? Certain jobs are unable to hold the workers they attract. Hence they can be viewed as containing a high frictional component. Other aspects of this non-match must be sought and found in poorly prepared workers not being qualified to take the skilled and technical jobs that are open; and mismatches based on spatial considerations--where the jobs are and where the unemployed are located. Finally, one must ask whether the million vacancies are for real or represent a statistical unreality.

The future obligations of the Employment Service under bills pending before the Congress was explored since the E. S. has long suffered from an elaboration of responsibilities without commensurate increases in resources. The point surfaced that several of the roles of the E. S. could be viewed as contradictory--placement and enforcement; focus on the disadvantaged and meeting employer requirements, etc.

The individual was recognized to be in our society critical in deciding what instrumentalities he wants to use and what jobs he is willing to accept. In this context, Bernard Anderson called for a positive view of new instrumentalities such as the community based organizations (CBOs) which could often meet needs that earlier organizations had neglected. A flexible society in his view creates institutions, assures their financing and thereby makes it possible for them to survive. In his opinion, CBOs represent such a case.

The discussions about temporary help services revealed that these organizations perform multiple functions. They facilitate job search for workers and enable employers to review potential job seekers. Further they make it possible for new workers to obtain a certain amount of work experience. Clearly they do more than just a straight matching operation.

There was recognition that some people get lost in the shuffle. We have a general idea of who they are. Intermediaries whose primary aim is to meet employers' needs ignore certain job seekers. They are looking for those easiest to place. Employers don't pay intermediaries for sending them workers who have difficulties fitting in. Hence persons with severe handicaps in addition to lacking knowledge of how to negotiate the labor market get ignored by most intermediaries who find it too difficult to place them.

Is the existing pluralism cost effective or cost ineffective? The thrust of the discussion favored multiple types of intermediaries up to a point of unequivocal evidence that overlapping had gone beyond acceptable limits. On balance there appeared to be less danger to multiple agencies than to a monopoly. No one favored a move to centralize all placement activities in a single governmental organization.

But this tentative conclusion left open the total amount of public and private money that ought to be invested in intermediaries. Even if pluralism was favored, the country might be spending too much on intermediaries. It was agreed that this issue needed more attention.

More narrowly, the discussion focused on the criteria for assessing public investment in the Federal-State Employment Service. In the face of an open-ended list of responsibilities, including potential new duties under the proposed welfare reform legislation, it was hard to see how additional resources could be denied the Employment Service. Still, there is considerable restiveness, in and out of Congress, as to whether or not the nation is getting a good payoff for the half-billion dollars now spent on the E. S.

The potentiality, or at least the desirability, of cooperative arrangements between private and public labor market intermediaries was reviewed. There were no objections to demonstrations aimed at such cooperation. However, the point was raised that since each of the two sectors, public and private, have more clients than they can cope with effectively what is to be gained by closer integration? The answer that was forthcoming was that occasionally such coordination might lead to more effective placement.

We had a brief look at the United Kingdom's public Employment Service. It appeared that the United Kingdom developed a new model because of the dissatisfaction it had with its old public Employment Service. There was no definitive evidence yet of just how good their new system is. It is an interesting alternative and it ought to be watched.

We recognized that there is some conflict between intermediaries that aim to improve the efficiency of the labor market and intermediaries that try to be responsive to the equity claims of citizens who have great need for help. This conflict has to be faced and solutions developed that are responsive to both goals.

How much additional information is needed to improve intermediaries? No one believed that a great increase in information would necessarily be the answer to the problems of many clients who must contend with a shortfall in total jobs.

With the welfare reform legislation looming, one must contemplate a new cycle in which the Employment Service would have additional priorities placed on it. In responding to these priorities, the Employment Service might once again lose a large number of employers whose confidence it has begun to recapture. One cannot be sure that this would happen; but care should be taken in assigning the Employment Service new missions which are really in conflict with its placement function.

A suggested research agenda included the following five points:

- Clarification of the potentialities and limitations of improved intermediaries and how far they could go to cope with the problems growing out of our kind of segmented labor market in a loose economy.
- We really do not know enough about "search behavior" with respect to the money, time and emotional costs involved. Economists, especially theoretical economists, have an easy way of dealing with complicated problems. They assume most of the answers in their assumptions. There is need for models that can be validated by recourse to empirical data.
- We need to know more about the clients and employers who use different kinds of intermediaries. That is an important consideration for public policy that must distribute limited resources among competing goals and institutions.

- Strong support was expressed that, since the Employment Service is the only intermediary with a national mission, it would be desirable for it to consider, in particular, labor market dimensions that have a national component.
- The issue was also raised that in a world of limited resources in which manpower covers much more than intermediaries, how should one divide available public funds among training activities, information gathering activities, placement activities, follow-up activities, etc.

II. LABOR MARKET INTERMEDIARIES: AN OVERVIEW

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LABOR MARKET INTERMEDIARIES: AN OVERVIEW

Each year many millions of Americans change jobs, or obtain them for the first time. In some of these instances, prospective employees simply go to a company's place of business and are hired. In some other instances, companies identify and contact new employees directly. But in what are probably the vast majority of cases, persons seeking work and potential employers find one another through one or more labor market intermediaries. So pervasive are labor market intermediaries in our economy, and so varied and significant are the functions they fill, that it is difficult to imagine our economy functioning without them.

Labor market intermediaries come in a variety of forms. Some are formal institutions such as the public Employment Service, union hiring halls, and community-based organizations. Other intermediaries are as informal as the exchange of information among friends and relatives, or among different employers. Similarly, the functions performed by intermediaries vary greatly. Job placement is, of course, a key function. But the provision of job-related information, the screening of applicants, the provision of skills and of financial assistance to job seekers, to name but a few, are also significant.

How are we to explain the multiplicity and diversity of labor market intermediaries and the functions they perform? This paper is intended to serve as an introduction to this question. It is designed as an overview, an introduction to the topic. But it is not a summary of the papers prepared at this conference, rather, it was prepared simultaneously with them.

Why Do Labor Market Intermediaries Exist?

Briefly, intermediaries exist to bring jobs and people together because employers and job applicants need to be informed of the whereabouts of each other, and because both wish to be selective in entering into an employment relationship. The spatial requirements which intermediaries fill are somewhat obvious. Firms are not located exactly where job applicants are found, so that they must be placed into contact with each other. But establishing an employment relationship generally requires more than simply making an unselective contact.

What Employers Seek in Job Applicants

Job applicants are not all alike. Nor are the jobs for which employers seek applicants all alike. In consequence, employers seek to find the best applicant, in the employer's view, to fill a job opening. Certain factors make an applicant attractive to an employer. Among the most important factors are:

- Mental and physical health
- Work motivation
- Good Work Habits
- Acceptance of discipline and direction
- Mastery of the basic skills of communication and quantitative computation^{*/}
- specific job skills

^{*/} Levitan, S.A., Garth L. Mangum, Ray Marshall, Human Resources and Labor Markets, New York: Harper & Row, 1972, p. 145.

An employer might not value these factors so highly, were the firm able to tailor each of its jobs to whatever persons were available for work. However, firms usually lack the degree of flexibility required. Jobs demand certain skills; they carry certain rates of pay; and they include a certain combination of tasks that are related to existing technology. Ordinarily, an employer seeks to fill a job for which the skill, pay and job tasks are virtually fixed. The employer must, therefore, try to obtain job applicants who best fit this mix of job characteristics.

Some observers of employment and labor markets seem to view this circumstance as unfortunate, if not actually perverse. If wages were flexible, they argue, then employers would tend to hire whomever is available in the labor market, and design jobs, or at least set pay scales, to fit the job applicants' abilities. There is little to dispute in the hypothetical exercise just described. But it involves an unrealistic view of the economy. A recognition that jobs, pay scales, technology and skill requirements are not perfectly, or even substantially, malleable in the short-run is fundamental to an understanding of employer selectivity in the hiring process, and therefore of the role of intermediaries in the labor market.

Employers anticipate that some job applicants will be better able to perform on the job at existing rates of pay than others. Employers seek to obtain these applicants. If they are able to obtain qualified people, other costs can be minimized. Among these costs are those of training workers to perform tasks, and the costs of

recruitment, hiring and termination, where rapid employee turnover results from a poor match of employees and jobs.

Often, employers are unable to discover exactly how job applicants will perform on the job in advance of a trial period. In consequence, they depend upon characteristics of the individual which are thought to be associated with good job performance. Among the characteristics are education level, job experience, and age. These, and other personal qualities which may be used as employer criteria in hiring decisions, may and often do have undesirable social consequences, as we shall see later.

What Job Applicants See in Employers

Employers, or places to work, are no more homogeneous in our society than are job applicants. Some employers provide a better working place than others. In some instances working conditions are better -- i.e., the work place is cleaner, cooler, safer and healthier than are other places of work. Some employers provide greater job security than others. Some employers have better work schedules. Some employers have jobs which allow the individual the type of work he or she prefers, whether it be routine tasks requiring little thought, or mentally and/or physically challenging work. Some employers give job holders and opportunity to visit with their coworkers, so that the work place has aspects of a social gathering.

Because some jobs and employers offer working conditions and other characteristics which are to many people preferable to

others, it seems that there ought to be some offsetting disadvantages for those who receive the more desirable work. Probably, we may think, the less desirable jobs will have better pay. Sometimes this is the case, but often it is not.

In many instances jobs which are attractive in one dimension are also attractive in others. Some jobs are better than others in terms not only of working conditions and other characteristics, but in terms of pay as well. And this may be true of jobs requiring the same skills. In fact, in any occupation or community, some jobs, and often all the jobs provided by some employers, are recognized as prize jobs, so-to-speak.

What causes pay scales to be what they are? Why don't the less attractive jobs on other dimensions pay more? There is no simple answer to these questions, and there are several competing theories advanced by economists.^{*/} A common thread, however, is that pay scales depend to a substantial degree upon the characteristics of the products to which the jobs contribute, and thereby on the markets in which the products are sold. The interaction of product markets with labor markets in determining pay levels obliterates any simple correspondence between job characteristics and pay levels.

Job applicants ordinarily seek the more attractive jobs and the employers who provide them. And once possessing desired jobs,

^{*/} Dunlop, John T., Wage Determination Under Trade Unions, New York: Macmillan, 1944.

Hicks, The Theory of Wages, New York: St. Martin's Press, 1964, (2nd edition).

Holt, Charles C., "Job Search, Phillips' Wage Relation, and Union Influence: Theory & Evidence," in Phelps, et al, Microeconomic Foundations..., pp. 53-123.

Thurow, Generating Inequality, New York: Basic Books, 1975.

they seek to fashion some protection, or job security for themselves. Jobs are important in determining the income and social status of persons in our society. They also involve tasks and places at which people spend much of their lives. Having a good job contributes to the quality of a person's life. Having a bad job, or none at all, may detract substantially from life's possible pleasure. The matter is much more than narrowly economic, and it is not surprising that people are very concerned to try to find jobs and employers which are the most satisfactory to them.

An aspect of the choice of jobs that has recently received much scholarly attention is the so-called competition of applicants for jobs. We ordinarily think of job applicants as having skills and abilities which require matching with the needs of employers. However, many jobs do not require existing skills of an applicant, but, in contrast, provide an opportunity to acquire skills. Since with skills often go higher pay and sometimes better working conditions as well, people who currently lack skills may find themselves in competition with one another for the available jobs. In a society such as our own, in which the number of available jobs is almost always exceeded by the number of job applicants, this competition can be of great importance to those engaged in it.

As described by Professor Thurow, wages are high or low depending on the characteristics of the job in question. A person learns a high-paying job by being hired, and then trained on the job.

Consequently, the search for a job is in fact the search for a training slot, which will enable a person to be taught the skills of a job which carries a good rate of pay. Finally, Thurow concludes, "The distribution of earnings [among people in our society] is determined by the distribution of job opportunities," i.e., the highest earnings will go to those who are hired by firms to be trained to do well-paying jobs.*/

Thus, many important aspects of a person's life are potentially determined by the job for which one is hired. There is, understandably, competition for the better jobs, and job applicants are, in consequence, often greatly concerned as to obtaining the best quality of the job for which they may make application.

How Employers Search for Applicants

Employers do not automatically convert production increases, or even employee terminations, into job vacancies. Employers have alternatives to hiring additional employees, and may use them. Among the alternatives are the redesign of jobs, or of production, so that existing personnel cover the increased production, or the reduced work force. The hiring of additional employees involves costs, so that a "long and complex" decision process intervenes between an opportunity to seek new employees and a decision to do so.**/

*/Thurow, Generating Inequality, New York: Basic Books, 1975, pp. 46, 76, 94.

**/Myers, John G., Job Vacancies in the Firm & The Labor Market, N.Y.: The Conference Board: Studies in Business Economics, #109, 1969, p. 7.

When an employer decides to proceed with the hiring of new employees, its problem is to pick and train workers so that they can generate the desired additional production at the least investment in compensation, training and hiring costs by the employer. In order to minimize training costs, employers may extend the period over which they search for applicants, and thereby incur additional costs in the search and hiring process. Economists have pointed out that increased costs incurred by a company in the search for employees may be substituted for higher wage rates ^{*/} and training costs. ^{**/} A longer and more expensive search process is likely to involve the employer in the use of a greater number and variety of intermediaries in the attempt to locate the best qualified applicants for jobs. Theoretically, an employer will continue the search for applicants until the costs of the continued search approximate the expected value of the product of the sought-after workers. ^{***/}

How Applicants Search for Jobs

Applicants, like firms, may choose a longer and more expensive search for a job in preference to accepting the first job available. In so doing, the applicant trades-off a longer period without work,

^{*/}Stigler, G.J., "Information in the Labor Market," JPE, 70 Part 2, Supplement (Oct., 1962) pp. 94-105.

^{**/}Thurow, Generating Inequality, New York: Basic Books, 1975, p. 87.

^{***/}Mortensen, Dale, "Job Search, Duration of UE, and the Phillips Curve," American Economic Review, 60, 5 (Dec., 1970), pp. 847-862.

and the earnings thereby foregone, for the advantages of a better job, if one can be located. In many instances, the length of time which employees are unemployed results from the applicant waiting for better jobs to become available, so that the period of unemployment involves waiting for better jobs to open up, as well as the time consumed in the search itself.

A rule may be derived for an applicant's job search, just as for a company's search for applicants. The applicant will maximize his or her long-term advantages if he or she continues searching for a job until the expected (discounted) benefits of the search (i.e., of the job obtained) exceed the expected (discounted) costs of the search.^{*/}

In fact, many applicants apparently accept jobs, and then leave them, as part of the search for a job which is desirable to them in the long-term. High quit rates have been found to be associated with less desirable jobs. New hires, of whatever age, have considerably higher quit rates than other workers. In fact, some economists view the high quit rates of some employees as evidence of the paucity of information passed during the job interview and the search process generally.^{**/}

The gross inflows and outflows in the labor market are substantial. Median years on the job by an employee in our country are only four.^{***/} But some employees change jobs far more frequently than

^{*/} Kalachek, Edward D., Labor Markets & Unemployment, Belmont, Calif.: Wadsworth Publishing Co., 1973, p. 55.

^{**/} Ibid., p. 53.

^{***/} Ibid., pp. 49-50.

others. New hires, and young people are both prone to very high rates of job turnover. In part this may reflect a persistent instability in attachment to jobs. But it is also due, in large part, to a continuing search for a desirable job in a labor market in which information is spotty and the availability of desirable jobs is not continual.

Why Do Employers Use Intermediaries?

Employers which do not use intermediaries depend for job applicants upon those persons who make direct application to the firm, and those persons who are already known to the firm (for example, by virtue of being a past employee) or who may be attracted by such a device as signs in the plant's windows, or on its gates, saying "Help Wanted." For most firms these devices do not provide an adequate number or a sufficient quality of applicants. The firm is able, however, to expand its range of possible applicants substantially by resorting to intermediaries, both formal and informal.

Intermediaries may actually perform some of the hiring functions for management as well. Some intermediaries will prescreen applicants for certain qualities which the company may desire. The company, by use of intermediaries, thus expands its range of applicants, obtains certain pre-hire services, and may thereby obtain a better quality, and conversely more profitable, labor force than otherwise available to it.

Why Do Job Applicants Use Intermediaries?

Individual job applicants on their own have even fewer opportunities to obtain a range of choice in potential jobs than companies do with respect to potential employees. In the absence of intermediaries, the individual applicant could only wander from firm to firm asking if job openings exist. Few firms could be visited, and the potential costs, especially the work-time cost, would be very high.

In consequence, applicants normally resort to intermediaries, formal and informal, to determine what job openings exist, now and in the foreseeable future. Intermediaries also provide information about the characteristics of jobs, including work conditions, pay scales, job security, job tasks and similar matters. The job market would be a bewildering and threatening place indeed, if the individual applicant had no possibility of recourse to intermediaries for information and assistance in obtaining employment.

How The Labor Market Operates

The labor market is one in which job applicants and job vacancies are matched. "The function of the labor market," as described by Edward Kulachek, "is to match a nonstandard worker with a nonstandard job in a manner that satisfies the participant's requirements for wages, skill, and intangible relationships. Workers and vacancies are not easily matched. The worker hunting for a vacancy and the job hunting for a worker are both intricate, multidimensional

entities... the worker is a bundle of productivity, ability to cooperate with co-workers, learning capacity, promotability and stability on the job. The job is a bundle of current wages, fringe benefits, promotion possibilities, pleasantries and interest or tedium of task and congeniality or unfriendliness of colleagues and supervisors."^{*}/

Labor markets are not simple arrangements, but are very complex. There are, in fact, many submarkets. These submarkets reflect primarily industrial, geographic and occupational differences. In some ways, submarkets are interrelated. There are firms which hire in more than one submarket, and job applicants who may seek employment in more than a single submarket. For the most part, however, submarkets are separate and distinct, having different patterns of job search, different pay levels, different expectations about job security and working conditions, etc.^{**}/ Clark Kerr once referred to labor markets as being "Balkanized," i.e., divided into many separate independent entities, each concerned primarily with its own internal matters.^{***}/ Labor submarkets may be classified, or categorized, in many ways. A recent fourfold classification identified

^{*}/ Kalachek, Edward D., Labor Markets and Unemployment, Belmont, Calif.: Wadsworth Publishing Co., 1973, p. 55.

^{**}/ Ibid., p. 222.

^{***}/ Clark, Ken, "The Balkanization of Labor Markets," in E. Wight Bakke (ed.), Labor Mobility and Economic Opportunity, New York: John Wiley, 1955.

markets as:

- (1) professional
- (2) mainstream
- (3) marginal
- (4) submarginal

The professional submarket is identified with professional occupations. The mainstream submarket includes large firms, paying better wages and having reasonable job security. The marginal submarket involves highly competitive, low profit companies paying lower wages and providing little job security. The submarginal labor market involves illegal activities and otherwise unattractive jobs.*

The labor market as a whole may also be divided conceptually into two broad groups: internal labor markets and external labor markets. Internal labor markets are those "internal" to the firm or other organization. They consist of the firm and its employees. A labor market may be said to exist internal to the firm because there are ordinarily many separate jobs, with rules and procedures about the promotion or transfer of employees among them. As an example, when a firm seeks to fill a job vacancy, it ordinarily has the option of filling it by the promotion or transfer of a present employee (i.e., from the internal labor market) or by hiring a job applicant from outside the firm (i.e., from the external labor market). As this example makes clear, external labor markets are those outside the firm. In the external market job applicants look for employment among different firms, and firms seek to find potential employees.

*Levitan, S.A., Garth L. Mangum, Ray Marshall, Human Resources and Labor Markets, New York: Harper & Row, 1972, pp. 219-221.

Internal labor markets limit the access of persons outside the firm to many jobs. In many instances, employers' policies, practices or collective bargaining agreements place limitation on the ability to hire from outside the firm for certain job openings. Instead, existing employees have a first, or even exclusive, chance at these jobs. Because of this, many job applicants are effectively excluded from large parts of the total labor market by the structure of job rights and privileges.*

The major part of our concern in this paper is with the operation of the external labor market, and the intermediaries which function within it. It should be noted at this point that the existence of internal labor markets, and the balkanization of labor markets generally, creates a circumstance in which information about the specific hiring practices of firms becomes of great importance to the job seeker. Information of this type, and the personal and organizational contacts which give it substance are a major part of the stock in trade of labor market intermediaries.

Labor markets are always in transition. The economy is subject to changes in technology, shifts in taste, reorderings of social priorities, general economic fluctuations and variations in the economic fortunes of particular firms, industries and geographic areas. These changes and their consequences are difficult to foresee. Economists

*/ Doeringer, Peter B. and M. J. Piore, Internal Labor Markets and Manpower Analysis, Lexington, Mass.: Heath Lexington Books, 1971.

who attempt to describe them quantitatively often resort to probabilistic or random processes to represent the continuous gropings of persons and firms toward some equilibrium of employment and wages in the labor market.^{*/} The labor market is best described as one which is always becoming something different.

Fluctuations in the labor market of the nation as a whole are typically less severe than in individual occupations, industries, and geographic areas. This is because differences in the timing (i.e., phasing) of localized fluctuations result in a dampening of measured change in the whole (i.e., on the average). However, even in the whole labor market, changes are often dramatic. Unemployment rates in our economy, for example, fell from a high 24.9 percent in 1933 to a low of 1.2 percent in 1944; reached another peak of 6.7 percent in 1961 and fell off to 3.6 percent in 1968. By 1975, another high of 8.5 percent occurred, from which the rate is now declining.

The characteristics of persons in the labor market are changing. In 1947 86.8 percent of American males of working age were either employed or seeking work. In 1975 the proportion was 78 percent. In 1947, 31.8 percent of American females of working age were employed or seeking work. In 1975, the proportion was 46 percent.^{**/} A rough calculation shows that if only 31.8 percent of women had been seeking work in 1975 (as in 1947), there would have been 11 million fewer women

^{*/} Kalachek, Edward D., Labor Market & Unemployment, Belmont, California: Wadsworth Publishing Co., 1973, pp. 48-49.

^{**/} Data were prepared by the Bureau of Labor Statistics and published in various places, including the Economic Report of the President and Council of Economic Advisors, 1977, Washington: Government Printing Office, 1977.

in the labor force in 1975. Similarly, if the male participation rate had been in 1975 what it was in 1947, there would have been five million additional males in the labor force. On net, some six million persons would have been outside the labor force in 1975, and the unemployment rate would have approximated five percent, rather than 8.5 percent. These calculations are very rough, of course, and do not consider offsetting influences which might have occurred had the differences imagined in our labor market history actually occurred. Nonetheless, they are indicative of the consequences which continual changes in labor force behavior can have. Put succinctly, since 1947, our economy has had to find jobs for a rapidly increasing number of female job applicants, and simultaneously for a much more slowly increasing number of male job applicants, in a period in which unemployment has fluctuated, industrial growth has shifted geographically, the proportion of jobs has shifted heavily to service industries, and wage relationships among occupations and industries have undergone important changes. Labor market intermediaries exist, in large part, to facilitate adjustment to these changes in our economy.

What Kinds of Intermediaries Exist?

There are a surprisingly large number of institutions which are involved in the labor market in some capacity as intermediaries between job applicants and potential employers. In some instances these institutions have as their sole or primary function that of a labor market intermediary. In others, the role of labor market intermediary

is a distinctly secondary, or even peripheral, aspect of the institution's conception of its role. Several major types of labor market intermediaries are listed below. Included are both formal and informal intermediaries. Only a brief description is given of each. Some of the intermediaries listed, however, are the subject of more extensive analysis in other papers prepared for this conference. No particular significance is to be attached to the order in which these intermediaries are listed.

(1) The Formal Education System

Educational institutions, both public and private, play an important role as labor market intermediaries. They provide information to students about career opportunities, and in some instances provide direct job placement services for graduates. The educational and training functions of the schools are also of significance in affecting the relationship between job applicants and potential employers.

(a) Public Schools

The schools may or may not be aware of their functions as labor market intermediaries and may or may not perform them well. There is, for example, persistent criticism of the public schools for their failure to recognize their role in the labor market, and their alleged failure to perform it better.^{*/} Some schools do provide job counseling, employment-related instruction, even co-operative programs in which the student holds a job and attends school on an alternating schedule. Others seem largely to ignore the labor market functions, so that they perform them poorly and by indirection.

^{*/} Levitan, S.A., Garth L. Mangum, Ray Marshall, Human Resources and Labor Markets, New York: Harper & Row, 1972, p. 105.

(b) Private Schools

Private for-profit schools exist in several forms, including technical institutes, secretarial schools, and correspondence schools. The quality of training and instruction offered by many of these schools is subject to question,^{*/} but a major strength of these schools has been described to be their job-placement services.^{**/}

(c) Formal Apprenticeship

Apprenticeship melds formal schooling (so-called "related instruction") and on-the-job training. In many instances the apprentice remains with an employer as a journeyman, or holds jobs (as in construction) with member firms of an employer association which helps administer the apprenticeship program. Apprenticeship is a formal method of bridging the gap from school to work, and the program itself serves as an intermediary between the job applicant and the employer(s).

(2) Want Ads

Newspaper ads provide an important source of labor market information. Firms advertise job openings as a method of attracting applicants. Other firms study the ads to see what jobs are available and what pay scales are being offered, before deciding how to advertise their own vacancies. Job applicants study the ads to identify certain possible employers.^{***/}

^{*/} Myers, Charles A., Role of the Private Sector in Manpower Development, Baltimore: John Hopkins, 1971.

^{**/} Freeman, Richard B., "Teenage UnEmployment: Can Reallocating Educational Resources Help?," paper prepared for Conference on the Teenage Unemployment Problem (Congressional Budget Office, April 30, 1976), p. 45.

^{***/} Johnson, Miriam and Marged Sugarman, "The Comparative Labor Market Role of Newspaper Help Wanted Ads and Public Employment Service Job Listings," Report to U.S. Department of Labor, Office of Research, Employment & Training Administration, January, 1977.

(3) Public Employment Service

The Federal-state Employment Service exists to perform a role specifically designed as that of a labor-market intermediary. Established by the Wagner-Peyser Act, 1933, it was conceived as a job placement service. It has, in recent years, expanded its functions to include counseling and orientation to work. Currently, the system involves some 2,400 offices and 30,000 employees in the country as a whole.*/

(4) Public Employment & Training Programs

Formerly called "Manpower" programs, these publicly funded efforts perform a wide variety of functions as labor-market intermediaries. Also, they exist in such a bewildering variety of forms that only a few examples of their activities can be given here.

The Farm Placement and Rural Manpower Service prepares an annual work plan for migrant farm workers which attempts to extend the workers' work year by finding additional employment for them.**/

*/ Wirtz, Willard & National Manpower Institute, The Boundless Resource, Washington: New Republic Book Co., 1975, p. 38; Allen, Curtis C., Donald Mayall, et al., An Employment Service Research & Development Strategy, Center for Applied Manpower Research, March 1975, Report to Manpower Administration, U.S. Dept. of Labor; Miller, David A., et al, "Recruitment, Job Search, and the USES," Report to U.S. Dept. of Labor, Employment Training Administration, Office of Research, Washington, D.C., 1976 (20-42-74-34).

**/ Miller, Paul B., The Role of Farm Labor Market Institutions in the Lower Rio Grande Valley of Texas, Dept. of Economics, Wright State University, Dayton, Ohio, Report to Manpower Administration, 1971; Bain, Trevor, "Labor Market Analysis: A Review & Analysis of Manpower Research & Development," Report to Manpower Administration, U.S. Dept. of Labor, June, 1975.

The Concentrated Employment and Training Program (CETA) has sought to use public service jobs to provide a bridge for unemployed workers into unsubsidized employment. A training component can be made a part of public service jobs to ease that transition.^{*/}

Outreach programs in such industries as construction attempt to recruit persons for pre-apprenticeship training, counsel them, provide remedial education, and help them become part of the formal apprenticeship program.^{**/}

(5) Union Referral Programs

Many trade unions in the United States operate referral programs. In some instances employers agree to use the referral program exclusively to obtain workers; in others access to the referral program is optional for the employer. Collective bargaining agreements often spell out the particular obligations of the union, the employers, and the individual worker with respect to the referral system, if any. Referral systems are especially common in the construction, longshoring and maritime industries.

^{*/}Ripley, Randall B., The Implementation of CETA in Ohio, Report to Employment Training Administration, U.S. Dept. of Labor, Research & Development Monograph #44, 1977.

^{**/}Denyck, Dennis, in F.F. Foltman, Report of a Conference on Apprenticeship Training... May 30 - June 1, 1973; Marshall, Ray & Vernon M. Briggs, Negro Participation in Apprenticeship Programs, Report to Manpower Administration, U.S. Department of Labor, 1966.

(6) Private Employment Agencies

Employment agencies which are privately owned are characteristically small, individually-owned, and specialized by occupation. They provide information about jobs^{*} and pay scales to applicants and make referrals to employees. Often the service will provide a detailed screening for the employer by compiling a work history of the applicants.^{**} For referrals in white collar occupations, employers generally pay a fee. For blue collar occupations, applicants usually pay a fee to the agency for referral.^{***} There is, of course, considerable variation in these arrangements.

(7) Temporary Help Agencies

Job applicants sometimes accept employment from a privately-owned agency which provides temporary help to employers. It is not uncommon for persons employed by a temporary help agency to accept employment with another firm, to which they were assigned while on duty for the temporary help agency. Job seekers are thereby utilizing temporary help agencies as an intermediary to locate a job which may be more desirable to them.

^{*}/Conant, Eaton H., "The Evaluation of Private Employment Agencies as Sources of Job Vacancy Data," in The Measurement & Interpretation of Job Vacancies, Conference of National Bureau of Economic Research (N.Y.: NBER, 1966), pp. 519-47.

^{**}/Gordon, Margaret S., and Margaret Thal-Larsen, Employer Policies in a Changing Labor Market. Institution of Industrial Relations, University of California, Berkeley, July, 1969.

^{***}/Rees, Albert & George P. Shultz, Workers and Wages in an Urban Labor Market, Chicago: University of Chicago Press, 1970, p. 205.

(8) Trade Associations and Trade Journals

The annual meetings of trade & professional associations often assume the characteristics of an employment exchange. Persons seeking work attend the meetings in the hope of hearing about job opportunities; and employers attend in hope of locating possible employees. In some instances, the employment exchange aspect of a meeting is formalized by registration forms and scheduled interviews. Also, trade and professional journals often carry information, or even ads, about job opportunities or job seekers.

(9) Labor Contractors

In some industries firms prefer not to directly employ labor, but instead make arrangements with contractors who then supply labor. Some contractors are, of course, legitimate business enterprises. Others are essentially only an intermediary between the firm and those persons who do its work (although legally not its employees). Labor contracting is common in agricultural endeavors, and to a degree in garment manufacturing. The contractor ("crew leader" or whatever name) recruits workers, may supervise them on the job, arranges transportation and pays the workers. Ordinarily the employment relation between the contractor and the worker is tenuous, at best.

(10) Correctional Institutions

Prisons, jails, houses of detention and similar institutions sometimes assume a role as a labor market intermediary on behalf of inmates. The institution may provide vocational training, remedial

education, and even a placement service for jobs outside the institution, as appropriate.

(11) Informal Processes

Surveys have repeatedly demonstrated that most job applicants depend upon informal methods of finding jobs. Similarly, employers place greatest reliance upon informal means of finding new employees. By informal methods is meant, primarily, referral of a job applicant to a job by friends, relatives or personal acquaintances. For employers, informal methods include references to job applicants by current employees or by other companies.

The importance of informal discussions as transmitters of labor market information has been sometimes decried. Informality apparently implies to some an absence of fairness and accuracy in the transmission of information. Rees and Shultz replied to this attitude as follows:

"We find a heavy reliance [by job applicants or firms] on informal sources of information such as referrals from friends and relatives... We do not feel that this reliance is necessarily evidence of an imperfect market. Rather it suggests to us the importance of kinds of qualitative information about job seekers and about vacant jobs that could not be communicated well through formal channels..."*/

(12) Internal Labor Market Processes

Although it may seem somewhat peculiar to discuss labor market intermediaries within a firm or organization, it is likely that they exist. The division of the labor market as a whole into external and internal segments should alert us to look for intermediaries in

*/ Rees, Albert & George P. Shultz, Workers and Wages in an Urban Labor Market, Chicago: University of Chicago Press, 1970, p. 221.

internal as well as the external market. We have identified many intermediaries in the external labor market. Are there analogous intermediary institutions in the internal labor market?

Tentatively, we may answer yes. The internal labor market is one involving promotions, transfers, reassignments, and similar job changes. Such changes may be sought by the employee, or initiated by direct supervision (e.g., production management). But within the internal market are several institutions which exist to regulate and to facilitate such changes. The personnel office of a firm is one such intermediary. Personnel officers often attempt to arrange transfers or promotions for employees (again at the instigation of either the employee or of supervision). When an employee is laid off from one job in a firm, the Personnel Office may exercise considerable effort to find another job for the employee elsewhere in the organization.

Trade unions, where they represent the employees of an organization, participate in the setting and administration of rules about internal job movement by employees. Where rights regarding job changes are established by a collective bargaining agreement for employees, and where a dispute arises over their application, a neutral arbitrator may even serve a role in the internal labor market as an intermediary in deciding who shall obtain certain job opportunities, or accept certain job assignments.

What Functions Do Intermediaries Perform?

(1) Job Placement

The central function of labor market intermediaries is, of course, the placement of job applicants in employment. The most direct method of accomplishing this is referral of the applicant by an intermediary to a job opportunity. Perhaps this function should be treated as the sine qua non for inclusion of an institution as a labor market intermediary. But to do so would create an anomaly. Of the twelve types of intermediary institutions listed in the previous section, only one has no referral procedure at all: newspaper want ads. Yet want ads are uniformly treated by labor market analysts as a virtually pure case of an intermediary, because they provide the transference of information. Hence, we are best advised to treat job placement as a function which some intermediaries perform, just as those additional ones listed below.

(2) Information Transfer

Intermediaries transfer information from firms to job applicants along three primary dimensions.

- (a) Job Search Information - The characteristics of employers, including locations, pay scales, requirements for the job, etc.
- (b) Occupational Information - Training and/or licensing requirements; availability of training or instruction; pay expectations.
- (c) Community Information - Housing, transportation, social services, etc., in the community in which a job opportunity is located.

Also, Applicant Information involving demographic and work history data regarding job applicants is transferred to firms by intermediaries.

The crucial characteristic of a labor market information system, according to one analyst, is not to be found in the number of interconnections made, but in "the richness and reliability of the information carried over each link."^{*}/

(3) Screening of Applicants and Employers

Intermediaries use a variety of techniques to screen applicants prior to referral to potential employers. Among the techniques are interviews, testing, test validation, and job analysis.^{**}/ Alternatively, intermediaries in many instances screen firms for applicants by using the applicant to visit one employer and not another.

(4) Advocacy for Applicants

In some instances screening by an intermediary on behalf of a firm goes so far as to constitute a virtual accreditation or endorsement of an applicant who is referred to a firm.

^{*}/ Rees, Albert, "Information Networks in Labor Markets," American Economic Review, 56 (May 1966), 559-66. The costs which are involved in information transfer are discussed in Alchian, Armen A., "Information Costs, Pricing & Resource Unemployment," in Phelps, et al, Microeconomic Foundations of Employment & Inflation Theory, New York: W. W. Norton & Co., 1970, p. 29.

^{**}/ Hubbartt, Wm. S., "The State Employment Service: An Aid to Affirmative Action Implementation," Personnel Journal (June, 1977), pp. 289-291.

(5) Orientation to Work

An intermediary may instruct a job applicant in how to behave on a job interview or even on the job itself.

(6) Counseling

An applicant may receive from an intermediary advice and assistance in adjusting his or her vocational objectives, attitudes, patterns of dress or behavior, for different occupations or employers.

(7) Remedial Education

A job applicant may receive directly assistance in remedying educational deficiencies or referral to such services.

(8) Training and Work Experience

In some instances, intermediaries provide actual training and work experience in job skills for job applicants.

(9) Vocational Rehabilitation

Vocational problems of an individual may be treated, or referred to a service for treatment,^{or} may be given by an intermediary. Personal problems such as illness, alcoholism and/or drug addiction are areas of special expertise in some intermediaries.

(10) Job Development

Some intermediaries actively solicit jobs from employers tailor-made to fit certain job applicants. Where the potential employer previously had no job openings, now creates one at the behest of the intermediary, or alters in some significant way the character of a job being offered in order to fit an applicant, the intermediary may be said to have developed a job for the applicant.^{*/} "Any effective program

^{*/} The Volunteers of United Way in Memphis provided counseling and referrals and made personal presentations to employers to open up job opportunities; Thomas, L.S. & S. Dickey, Wages, Women and Girls Enabling Service, United Way of Greater Memphis, Sept. 1974.

designed to improve job opportunities of black and teenaged females," wrote Professor Phyllis A. Wallace, "must include a strategy for changing employers' hiring policies and practices with respect to this group."^{*}/

(11) Financial Assistance

Intermediaries sometimes assist job applicants by subsidizing travel to job interviews, and even providing subsidies for a family's moving expenses.^{**}/

(12) Follow-up

Lastly, some intermediaries do not terminate their connection with a job applicant at the time an applicant obtains a job. Instead, the intermediary may keep in touch with the individual to monitor his or her progress on the job. Were the applicant to lose the job, the intermediary might investigate the reasons, and attempt to assist the applicant in remedying any deficiencies prior to referring the person to another potential employer.

^{*}/Wallace, Phyllis A., Pathways to Work, Lexington, Mass.: Lexington Books, D. C. Heath & Co., 1974, p. 4.

^{**}/California, State Personnel Board, Career Opportunities Development Program, mimeo.

HOW ARE THE TYPES AND FUNCTIONS OF INTERMEDIARIES COMBINED?

As explained previously, not all types of intermediaries perform each of the functions listed above. In an effort to summarize and categorize each type of intermediary by functions performed, Table 1 was developed. The Table identifies the performance of various functions by each intermediary institution by three levels of effort. An intermediary which devotes considerable effort to a particular function is identified by an M in the appropriate column and row. Similarly, an intermediary which devotes little effort to a particular function is identified by an L in the appropriate column and row. Blank spaces indicate that an intermediary is not involved in performing a particular function.

Some explanatory comments about the entries in the Table may be useful. For example, union referral programs are shown as having as a major function the accreditation of the job applicant to employers. This is because many collective bargaining agreements which provide for referral by the union also provide that the union will refer only qualified persons to the employer. This is not to say, of course, that in practice unqualified persons do not receive referrals. They sometimes do. Nor does an M or L entry in an institution's row beneath the column "Accreditation of Applicant" warrant that the employer uncritically accepts the agency's accreditation.

In the instance of temporary help agencies, the L in Column (12), "Follow-Up", simply reflects the fact that the temporary help agency is informed by a client if an employee of the agency cannot or does not perform on the job.

An examination of the Table indicates the great variety in which institutions combine intermediary functions. Some institutions, such as union referral programs and private employment agencies, are specialized by major commitments to only two functions. Others, such as public employment and training programs seem to stretch out their efforts in limited degree to cover almost all functions possible for a labor market intermediary. No institution, however, performs all the functions identified on the Table. Nor does any institution perform only a single function. Some public institutions perform a wide range of functions (especially the public employment and training programs). Other public institutions perform a much narrower range of functions (especially the public success system and the employment service). Similarly, some private institutions perform a broad range of functions (especially temporary help agencies), and some a narrower range of functions (trade journals and associations).

It is possibly significant, however, that no private institution is seeking to perform as broad a range of functions as are various public employment and training programs. Also of significance is the tendency of the public employment service in recent years to expand its own range of functions in response to the example set by the training and employment programs (a description of the functions of the public employment service for 1960, for example, would probably have had the notation M in columns identified as screening and job referral and placement, and no notation in any other column).

This Table, pieced together for ease of exposition, is based upon the author's own judgment, and cannot be offered as in any way definitive or authoritative regarding the practices of individual institutions. Its function is to promote discussion and analysis.

Table I. Labor Market Intermediaries: Institutions and Functions

Functions of Intermediaries														
Types of Institutions	Job Referral & Placement	Information Transfer (2)			Screening (3)	Accreditation of Applicant (4)	Orientation to Work (5)	Counseling (6)	Remedial Education (7)	Training and Work Experience (8)	Vocational Rehabilitation (9)	Job Development (10)	Financial Assistance (11)	Follow-up (12)
		Job Search	Occupational	Community										
(1) School	(1) Formal Education a	L						L						
o	Private Vocational Schools b	M						L	L					
i	Formal Apprenticeship c	L				M		L						L
n	Want Ads (2)		M	M										
g	Public Employment Service (3)	M			M	L	L	L						
	Public Employment and Training Programs (4)	L	L	L	L	L	L	L	L		L	L	L	L
	Union Referral Programs (5)	M				M								
	Private Employment Agencies (6)	M				L								
	Temporary Help Agencies (7)	M				M	L			L				L
	Trade Association Meetings and Journals (8)	L	M	M										
	Labor Contractors (9)	M												
	Correctional Institutions (10)	L							L	L	L			L
	Informal Processes (11)	M	L	L	L	L		L						
	Internal Labor Market Intermediaries (12)	M		L						L				L

M = Major Effort

L = Lesser Effort

D.Q. Mills

USE OF INTERMEDIARIES BY DIFFERENT
SEGMENTS OF THE LABOR MARKET

Different groups of the labor force utilize various intermediary institutions to different degrees. While we lack comprehensive data about this aspect of labor market behavior, we have surveys which provide partial information. Rees and Shultz, for example, noted that in most occupations, informal processes were most relied upon. However, white collar job applicants made much more frequent use of formal intermediaries than did blue collar job applicants.^{*/} Employers who use formal channels least in ordinary times do use them for hard-to-fill positions or when labor shortages develop.^{**/}

Bain has pointed out that job seekers often use several methods of job search, both formal and informal. "It is difficult," he observed, "to determine which resulted in [the applicant finding] the job."^{***/}

^{*/}Rees, Albert & George P. Shultz, Workers and Wages in an Urban Labor Market, Chicago: University of Chicago Press, 1970, p. 200.

^{**/}Sheppard, Harold J. & A. Harvey Belitky, The Job Hunt, Baltimore: John Hopkins Press, 1966.

^{***/}Bain, Trevor, "Labor Market Analysis: A Review & Analysis of Manpower Research & Development," Report to Manpower Administration, U.S. Department of Labor, June, 1975, p. II-1.

The Technology of Labor Market Intermediation

For the most part, the central function of labor market intermediation, the referral and placement process, has been performed as a clerical function involving manual operations. Information about a job applicant is placed onto a form and is filed for retrieval, by hand, in response to an employer's job order. The processing of individual job referrals has been a slow process, with a single person at its center who makes the actual referral. This process has been much alike, whether in the public employment service, a private employment agency, or a trade union referral system. Where it has functioned well, it has been because of the expertise of the persons making the job referrals. Excellent dispatchers in trade union hiring halls, for example, know the skills and capabilities of the persons they refer, and also the type of work capability needed by the companies to which they make referrals.

In recent years attempts have been made to apply electronic data processing capability to the referral process. The public employment service has experimented with so-called job banks -- a computer recorded and stored description of all job openings known to the employment service in an area.^{*/} Conversely, computerized recording of the characteristics of job applicants has proceeded to a substantial degree in many union referral systems in construction and longshoring.

Most recently, experiments have been undertaken to utilize job or applicant banks for computerized matching of applicants and job orders.

^{*/}Ullman, Joseph C. & Geo. P. Huber, The Local Job Bank Program, Lexington, Mass.: D. C. Heath & Co., 1973; Smith, D. Alton, Measuring the Benefits of Job Banks, Industrial Relations Section, Princeton University, Working Paper No. 50, July, 1974.

These experiments have not yet progressed very far.^{*/} Much of the literature on the performance of job banks for the employment service has been critical.^{**/} There is no insurmountable obstacle, however, in the current author's view, to a successful adaptation of computer technology to the referral process, in both the storage of information and the actual "matching" or referral process. The argument that the amount of information involved in a successful referral is very large simply suggests the usefulness of the computer, because of its enormous capacity to process information. However, the partially subjective aspects of human relations, which play an important role in the referral and hiring process, will continue to require human involvement. Probably, the automation of the referral process is unlikely, but the application of the computer as a tool to improve the process is almost certainly going to occur in the next decade or so, if not in the public employment service, then in privately operated referral systems.

Imperfections of the Labor Market

The matching of individuals with jobs in our economy is not without its major imperfections. Labor market intermediaries participate

^{*/}Cohen, Malcolm S., On the Feasibility of a Labor Market Information System, Institute of Labor & Industrial Relations, Community of Michigan, Wayne State Univ., 1974 (3 vols.); Markowitz, Edward A., D. Q. Mills and John T. Dunlop, A Feasibility Study of a Computer-based Manpower Information System for the Construction Industry, Harvard University, Report to Manpower Administration, 1973.

^{**/}Ullman, Joseph C. & Geo. P. Huber, The Local Job Bank Program, Lexington, Mass.: D. C. Heath & Co., 1973.

in the distribution of job opportunities among American citizens. The efficiency of their operation may be examined. But as Professor Thurow has cautioned us, to talk about distributional mechanisms without thinking about their equity properties is to miss at least half of the problem.*/

Possibly the strongest criticism which can be directed at the functioning of our labor market is that the mechanisms of distributing jobs and earnings have been associated for so long with discrimination against minorities and women. The screening of job applicants, for example, by both employers and labor market intermediaries on behalf of employers, has been shown to serve as a discriminatory device, as well as one of attempting to select the best qualified person.**/ Phyllis Wallace has commented:

"The entry of American youths into the labor force has been characterized as an unsystematized and largely haphazard process. Middle-class youngsters, however, move from nonwork to work status with considerable assistance from parents and formal and informal institutions. For young black women from poor families, however, the transition is exceedingly difficult..."***/

*/ Thurow, Lester, Generating Inequality, New York: Basic Books, 1975, p. x.

**/ Miller, Herbert S., The Closed Door, Institute of Criminal Law & Procedure, Georgetown University Law Center, Report to Manpower Administration, U.S. Department of Labor, 1972; Diamond, Daniel E. & Hrach Bedrosian, Industry Hiring Requirements & The Employment of Disadvantaged Groups, New York: New York University School of Commerce, 1970.

***/ Wallace, Phyllis, A., Pathways to Work, Lexington, Mass.: Lexington, Mass.: Lexington Books, D. C. Heath & Co., 1974, p. 1.

Vernon Briggs concluded from his study of the Houston labor market that, "For black women, the employment patterns are so patently exclusionary as to warrant immediate investigation. The paramount issue for black women is their inability to penetrate major industries."^{*}/

And Lester Thurow, in his study of the distribution of income in the United States, commented:

"Corrections can be made for education, occupation, industry, region, age, race, sex, hours of work, IQ, and a variety of other factors, yet there are still substantial variances in the observed distributions of income."^{**}/

The American labor market is still short of providing an equal opportunity for earnings, personal fulfillment and social status for all our work force. The role of labor market intermediaries in perpetuating these problems, and their potential role in eliminating them, each require continued investigation.

A second major criticism of our labor market is that the transition of young persons from school to work is unreasonable and unsatisfactory. It apparently results in considerable mismatches of persons with jobs, in a poor utilization of young people's skills and potentialities, and in considerable job changing and unemployment.

"Education and work... [wrote former Labor Secretary Willard Wirtz] have... been distinctly separate developments controlled by independent institutional sovereignties -- with the consequence that in most people's lives learning and earning pass as totally isolated chapters."^{***}/

^{*}/ Briggs, Vernon M., Jr., Negro Employment in the South - The Houston Labor Market, Washington, D.C.: U.S. Department of Labor, 1971, Manpower Research Monograph, #23, vol. 1, p. 94.

^{**}/ Thurow, Lester, Generating Inequality, New York: Basic Books, 1975, p. 66.

^{***}/ Wirtz, Willard & National Manpower Institute, The Boundless Resource, Washington, D.C.: New Republic Book Co., 1975, p. 1.

Young people pass out of the school system and into the labor market with information which is often erroneous. They often make poor job choices, and when they leave the jobs, there is no process by which their experience is monitored, nor their needs assessed. The failures here are directly the failures of the school system and of employers in their functions as labor market intermediaries. The resolution of these problems, if they do not lie completely with the schools and the firms, may be found in the efforts of other labor market intermediaries.

Questions for Public Policy

The multiplicity of labor market intermediaries in our economy is striking. In identifying twelve major types of intermediaries, this paper has done but little justice to the full variety of institutions and organizations which exists. For example, one research report studying agencies in Harlem in 1970 which were involved in various intermediary functions in the labor market listed some 40 such agencies.^{*/} Eli Ginzberg, investigating labor market information, found many organizations which were purporting to provide it, but none which stood out alone as the most logical candidate to coordinate and administer a central clearing house of such information.^{**/}

^{*/}Wallace, Phyllis A., Pathways to Work, Lexington, Mass.: Lexington, Mass.: Lexington Books, D. C. Heath & Co., 1974, p. 45.

^{**/}Ginzberg, Eli (ed.), New York is Very Much Alive, New York: McGraw-Hill, 1973; Ginzberg, Eli, Career Guidance: Who Needs It, Who Provides It, Who Can Improve It?, New York: McGraw-Hill, 1971, pg. 52 ff.

What explains this complexity and variety of institutions?

Probably, the apparent confusion in labor market intermediation is but a reflection of the complexity of the labor market itself. There are a large number of intermediary functions to be performed. They must be performed for different groups of people, and with respect to a variety of industries, occupations, firms and geographic areas. Probably it is not surprising that institutions specialized to certain functions, groups, industries and areas should develop. Possibly, we should be surprised at the paucity of this specialization -- not at its fullness. Indeed, when one considers the functions of intermediation and the imperfections of our labor market, it is perhaps surprising that institutions capable of improving the performance of the market are so slow in emerging.

In strictly (and simplistic) economic terms, we may formulate the logic of labor market intermediation as follows. Since costs involved in the search for best qualified employees may be considered a substitute for higher compensation levels or training costs, use of intermediaries provides some employers with an opportunity to minimize costs. Conversely, since for job applicants, search for better jobs may be substituted for accepting readily available jobs with low pay, applicants may maximize their net earnings by use of intermediaries. These interests on both sides of a potential transaction (the hiring of an employee) create the opportunity for intermediaries to broker a transaction, i.e., to create a market. The markets so created may

may be specialized, or generalized, and invite, therefore, the development of a variety of institutions.

There are those, of course, who may argue that whatever institutions and arrangements have developed must, by the very nature of their existence, be those which are appropriate to our economy. Were there more stability in our labor markets, this argument might carry greater weight. But in a labor market in constant transition and fluctuation, the most that can probably be said of the institutions and arrangements of the present is that they might have been appropriate to the recent past.

Others may argue that complexity is in itself evidence of imperfection. A more centralized and comprehensive structure of labor market intermediaries may commend itself to them on the grounds of administrative simplicity alone. But this ignores the complexity and variety which exists, and which will not disappear, in the labor market itself to which intermediary institutions must adapt.

An issue for public policy would seem to be to seek means of reducing socially undesirable aspects of our labor markets, and to frame a strategy which incorporates a role for labor market intermediaries. Whether that role is one of centralization of, or competition between, intermediaries is a matter for discussion. But it may be hoped that the policy review can be conducted with an understanding of the full range of functions and institutions involved today in labor market intermediation, not with narrow reference to only one or two institutions, and one or two functions.

III. A REEXAMINATION OF WHAT IS KNOWN ABOUT JOBSEEKING
BEHAVIOR IN THE UNITED STATES

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A REEXAMINATION OF WHAT IS KNOWN
ABOUT JOBSEEKING BEHAVIOR
IN THE UNITED STATES

David W. Stevens*

Wage determination, job search, and the movement of workers among employers are all influenced by a great variety of forces--economic, institutional, locational, and personal. However, we cannot concur in the view that because economic forces are mingled with others they are inoperative, or that because a process is highly complex it is necessarily in large part irrational.¹

INTRODUCTION

It has been estimated that 9.6 million persons looked for a job during May 1976 in the United States.² The job seeking methods used by these individuals are consonant with those reported in studies of job seeking behavior dating back to 1931.

With a few notable exceptions, these studies of job seeking activity have been descriptive rather than analytical. The objectives for this paper are therefore to:

- Develop an analytical approach to reexamine what is known about jobseeking activity, focusing on jobseeker choice of search method(s).
- Determine the extent to which particular labor

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¹Albert Rees and George P. Shultz, Workers and Wages in an Urban Labor Market, Chicago: University of Chicago Press, 1970, p. 222.

²Carl Rosenfeld, "The Extent of Job Search By Employed Workers," Monthly Labor Review, 100:3 (March 1977), p. 59.

market brokers act as agents for different population groups.

- Provide recommendations for developing answers to important questions about job seeking behavior that have not been adequately addressed to date.

These three issues are pursued in the remaining sections of this paper.

CONCEPTS FOR EXAMINING DATA ABOUT JOB SEEKING BEHAVIOR

The purpose of this section is to introduce three concepts that collectively provide substantial insight about the forces which determine what jobseeking pattern to expect from particular population groups in given situations. These concepts are then adopted in the following section to reinterpret the voluminous literature on how individuals have actually sought and found jobs over the past four decades in the United States.³

³The elegant mathematical models of search behavior which have dominated examination of this issue by economists during the past decade may lie beyond the reach of many practitioners in this field, but this need not concern us because each of these models simply represents a variation on a single core theme: A commonsense story of labor market stimulus and individual response. It is the decision making rules themselves which interest us, as well as the consequences which follow from institutional changes given these rules. It will also be helpful to identify circumstances which might be expected to change the rules or relationships among them. Those who are interested in this theoretical literature are referred to: Steven A. Lippman and John J. McCall, "The Economics of Job Search: A Survey," *Economic Inquiry*, 14:2 and 3 (June and September 1976), pp. 155-189 and 347-368 respectively. Related articles which have appeared since 1975 include: Christopher A. Pissarides, "Job Search and Participation," *Economica*, 43:169 (February 1976), pp. 33-49; B. Curtis Eaton and Martin Watts, "Wage Dispersion, Job Vacancies and Job Search in Equilibrium," *Economica*, 44:173 (February 1977); and Robert M. Feinberg, "Risk Aversion, Risk, and the Duration of Unemployment," *Review of Economics and Statistics*, 59:3 (August 1977), pp. 264-271. (No abatement of this publication flow (continued))

The Decision to Seek Work

We begin by giving explicit recognition to the distinction between a '*whether* to seek employment' decision and a '*how* to seek work' decision. These are interdependent but separable, and to some extent reversible, choices. As circumstances change (stimuli), the preferred status may change (response).

What determines whether, and how often, one's current labor force status is reassessed? Many economists answer: An individual will reassess a situation whenever the expected reward for doing so exceeds the anticipated costs of reassessment. If a person is satisfied in his or her present status there is an implicit unwillingness to incur the necessary money, time and emotional costs to explore alternatives; *i.e.*, we infer from inaction that the opportunities expected to result from actively considering alternatives provide insufficient incentive to engage in the effort.⁴

(N. 3 continued) is expected based on the number of related dissertation titles the author has reviewed this fall in his capacity as the chairman of a faculty recruiting committee.)

⁴Readers who have concluded that: 1) There is too little empirical content in the 'job search' literature to merit serious consideration as a policy relevant approach; (2) the tautological aspects of inferring decision rules from observed behavior destroy the usefulness of the theory; or, 3) the stochastic (random) aspects of job search behavior overwhelm deterministic influences, are urged to persevere. While the author shares the frequently expressed concern that too little attention has been devoted to testing theoretical refinements, this is seen as insufficient reason to eschew conceptualization *per se*. Cf. Aage B. Sorensen and Arne L. Kalleberg, "An Outline of a Theory of the Matching of Persons to Jobs," Institute For Research on Poverty Discussion Paper 424-77, University of Wisconsin - Madison, for an integration of economics and sociological concepts.

Job seeking behavior, then, is viewed by many economists as a sequence of recurring choices between maintaining one's current status and selecting a new, perhaps less certain status. The pros and cons of each option are weighed on the basis of what is known about each at the time a decision is required. However, *information about the options is imperfect, costly to acquire, and susceptible to obsolescence.*

It is apparent that the reason there are labor-exchange brokers lies in these three characteristics of labor markets-- *imperfect information that is costly to acquire and susceptible to becoming obsolete.*

Toward a Framework for Examining Job Search Behavior

The statement of a framework that can be used to classify sources of job opportunity information, and to interpret observed patterns of job seeker use of these sources, involves three basic concepts. Each of the concepts to be introduced is intuitively appealing:

- Job seeking can be oriented to discover new job opportunities or to ferret out additional attributes of opportunities already known to the searcher.
- Some jobs and job seekers are highly uniform in their essential characteristics while others exhibit relatively more diversity.
- Job seeking combines one's own time and purchased goods and services in amounts at least partially controlled by the individual, but also constrained by ability to pay for the purchased factors.

Each of these concepts is discussed below.

1. *Awareness: Breadth Versus Depth:* Job seeking activity reflects the combined influences of two

very different aspects of information collection.⁵ On the one hand, a person may search in anticipation of discovering additional job opportunities which would otherwise be unknown. On the other hand, search may be undertaken to expand what is known about job opportunities of which one is already aware. Albert Rees has characterized 'broadening of the information base' as search at the *extensive* margin, while 'deepening of what is known' is designated as search at the *intensive* margin.

Different sources of information about job opportunities promise different *relative* enhancement of information along these two dimensions. These concepts therefore prove useful in explaining the relative use made of particular sources by persons in specified circumstances.

2. *Quality Signals*. A second set of terms, when combined with the intensive/extensive distinction just mentioned, improves our ability to classify the roles of different channels of information flow. The two new terms are *inspection* and *experience* elements in labor market decisions.⁶

An *inspection* element is one whose quality is immediately obvious upon initial observation. Sex, height, weight, manner of dress, and verbal skills are inspection characteristics of job aspirants which are subject to instant identification.

⁵ Albert Rees, "Information Networks in Labor Markets," The American Economic Review, 56:2 (May 1966), pp. 559-566.

⁶ Richard S. Toikka, "The Economics of Information: Labor Market Aspects," Swedish Journal of Economics, (1974), p. 65. Also see: Mark S. Granovetter, Getting a Job: A Study of Contacts and Careers, Harvard University Press: Cambridge, MA, 1974.

Location, cleanliness, coworker sex and racial composition, and pay offered are comparable inspection characteristics of potential job opportunities.

Experience elements must either be directly observed for a period of time to determine an appropriate qualitative classification, or reliance might be placed on substitutes for direct observation over time. Ability and willingness to follow directions, capacity for independent work without close supervision, and leadership skills, are all *experience* elements associated with job applicants. They are not immediately discernible in an employment interview. Similarly, a job applicant is unable to directly assess the following types of attributes of prospective employment situations: supervisory fairness, coworker willingness to accept a new colleague and share knowledge to promote individual development and promotional opportunity, and stability of enterprise market prospects and associated employment continuity.

Both jobs and individuals, then, exhibit *experience* characteristics, but not uniformly so. Both jobs and job aspirants can be arrayed along a continuum which measures the extent to which variation in quality *exists* and *matters*. Without immediately addressing the important issue of what specific signals of 'quality' matter in job seeker ranking of jobs and employer ranking of job applicants, we can say that the greater the risk involved of an untoward consequence following a decision to accept or reject a job offer or applicant, the more likely that party is to investigate the opportunity thoroughly.

What substitutes exist for direct observation over time of these *experience* elements in labor-

exchange deliberations? Incumbent employees are in a position to convey some information about experience factors to job candidates, as well as to represent the interests of these candidates with their employer. Since these services are not uniformly available to all parties who might conceivably be interested in securing access to such information, an equity issue arises: What regulatory measures are appropriate in defining limits on hiring actions based on 'inside' information?⁷

Other substitutes for direct observation include dependence on a trusted intermediary whose past performance in this capacity has been satisfactory, or direct classification of expected outcomes based on actual or fancied predictors.

3. *Production of Information.* Job search can be produced in many different ways. Indeed, this volume is premised on this observation. It is particularly useful to distinguish two inputs to the production of information about job opportunities--own time and purchased services. The way to increase the probability of being the first to know about the existence of a job opening, or of learning more about the essential characteristics of a known job opening, is to be in the right place at the right time--either personally or through a surrogate. How does one accomplish this? One way is to have good intelligence; *i.e.*, inside information. A second way is to 'purchase' a preferred place in the applicant queue. One can choose to pursue this preferred

⁷The regulations which define acceptable practices in securities exchanges provide an example of related equity considerations in a different market context.

status in a number of ways:

- Purchase of a newspaper accompanied by investment of one's own time in following up on the information secured thereby.⁸
- Registration with a fee-charging employment agency which then becomes an advocate on the client's behalf in the sectors of the labor market known to them.
- Registration with a public employment service office, or community-based organization, both of which offer 'free' job referral services. (Since registration with, and response to job referrals provided by such agencies requires some commitment of one's own time, use of these services is not free to the jobseeker.)
- Reliance on other organizational representation, such as a union or school placement bureau, based on membership in or other special access to that organization.
- Investing one's own time in uninformed direct contact with preferred establishments where job openings may, or may not, exist at any given moment.

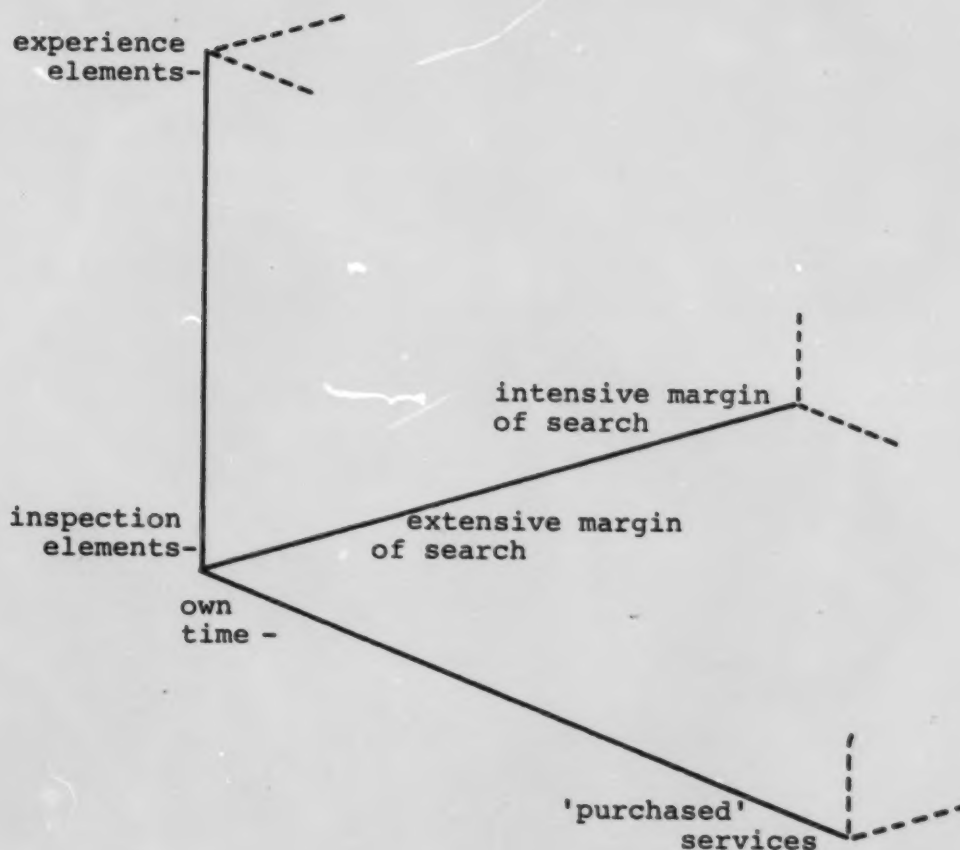
The actual mix of these inputs will reflect both the value placed on the alternative uses of one's time and the ability to pay for purchased services. This point is crucial to our subsequent discussion of policy issues, because both the value placed on the specific uses of time and the ability to pay for

⁸ See: Miriam Johnson and Marged Sugarman, "The Comparative Labor Market Role of Newspaper Help Wanted Ads and Public Employment Service Job Listings," Olympus: Salt Lake City, UT, 1977, 288 pp.; and Newspaper Advertising Bureau Inc., Help Wanted Advertising: A National Mail Survey of New Job Holders, New York, NY, March, 1977, 33 pp.

purchased services are amenable to legislative and administrative control.

The following diagram combines the three concepts described above, and is intended to promote a visual understanding of the forces represented.

A FRAMEWORK FOR EXAMINING
THE CONSTITUENCIES AND FUNCTIONS
OF LABOR-EXCHANGE INTERMEDIARIES



In the southwest segment of this three-dimensional surface are found those job opportunities, job seekers and associated labor-exchange functions, which are characterized by the relative unimportance of investment in highly refined

judgements about qualitative distinctions among candidates or opportunities. Movement toward the northeast part of the diagram reflects ever greater consideration of such distinctions.

One final point before providing some illustrative applications of this analytical framework: The greater the differences exhibited among employment situations for which a job seeker qualifies, or diversity of personal and labor market experience characteristics observed within the potential applicant pool, the higher the probability that the screening activity will either command a price⁹ or draw upon inside (knowledgeable) sources of information.

Applications to Job-Seeking Behavior

We can now combine the intensive/extensive margins of search, inspection/experience elements, and own time/purchased services concepts to provide a powerful explanatory approach for examining job seeking behavior. We expect to find those persons whose prior employment experience and other qualifications are consistent with job opportunities which reflect substantial variation in 'quality' investing relatively more in search at the intensive margin. In this context, job 'quality' represents any characteristic of an employment situation which matters to the job seeker. Generally, this set would be expected to include all aspects of compensation, promotional opportunity, job security, actual job tasks performed, coworker characteristics and attitudes, physical surroundings and location, among other factors.

These concepts also place us in position to consider which job seeker characteristics might reasonably be

⁹ See: George J. Stigler, "Information in the Labor Market," Journal of Political Economy, 70:5, Part 2 (October 1962), p. 102; and, Armen A. Alchian, "Information Costs, Pricing, and Resources Unemployment," Western Economic Journal, 7:2 (June 1969), pp. 123-124.

expected to be associated with a job opportunity set reflecting substantial internal diversity, thereby increasing the relative importance of more detailed information about each opportunity.

Consider the standard menu of jobseeking methods, both formal and informal, and rank them according to the relative importance of a job seeker's own time in using each method. The most time-intensive method is clearly uninformed direct application, and the least time-intensive approach is reliance on a broker-advocate who genuinely represents the job seeker's interests without recurring personal involvement. Between these polar cases lie all the other methods.

Now, what job seeker characteristics would you expect to be associated with the relative time-intensity of search methods used? On the one hand, recalling that more than one-third of all job seekers in May 1976 were already employed, we can see that employed persons will be unlikely participants in job seeking activity which absorbs large amounts of their own time. However, the accuracy of this statement declines as the flexibility to define one's working hours increases. On the other hand, those unemployed persons for whom continued eligibility to receive a transfer payment--*e.g.*, some unemployment insurance, food stamps or AFDC beneficiaries--is made conditional upon demonstrated job seeking activity, would be expected to engage in greater amounts of time-intensive job seeking activity because the opportunity cost of not doing so includes possible loss of benefit eligibility.¹⁰

¹⁰ A uniform job seeking activity requirement imposes different costs on individuals depending upon the value placed on alternative uses of their time, as well as differential costs incurred for such things as transportation and child-care services.

If investment in information at the intensive margin (deepening) is more likely than investment at the extensive margin (broadening) to command a price, or rely on inside relationships, it follows that a willingness to substitute one's own time for these purchased services or prior relationships is unlikely to produce comparable results. *Own time is a poor substitute for the purchase of, or other access to, specialized information.* Privileged and specialized channels of communication are functional. The job seeker's time is relatively more important as an input to the production of search which broadens the awareness of job opportunities than it is to the production of a deepening of understanding of labor market opportunities.

From the hiring employer's standpoint, reliance on incumbent employee referral or purchased screening is more advantageous the greater the importance and variety of essential experience elements exhibited in the potential applicant population. Under such circumstances, the person who aspires to these positions has little chance of success if he or she relies on other methods of jobseeking. At the other extreme of the intensive/extensive information continuum lie those jobs for which it is not in the employer's or job seeker's interest to invest much time or money in learning more about the other party.

A final illustration of applied uses for this analytical framework must suffice. In what ways is *use* of friends and relatives as a source of job-opening information comparable to *use* of uninformed direct contact with prospective employers? Both are intended to produce insights about the market for the job seeker's services. But consider what actually goes into the production of these insights in the respective cases. *Use* of personal relationships may reflect an informal understanding that if the job seeker's associates hear of any reasonable opportunities the job seeker

should be alerted. Or, a frequent routine of canvassing these associates to be sure that no lead is overlooked may be indicated. In the former case, the personal input of the job seeker's own time is minimal, while in the latter case it may approximate the amount of time that could have been devoted to direct contact with prospective employers. In other words, *use* of different job seeking methods, and even different uses of the same method, are not uniform with respect to the commitment of time and other resources required to accomplish the action designated as *use*. This limits the utility of the *use* classification of most studies of jobseeking behavior; dissimilar actions being treated alike. The significance of this point will be clear as we begin to examine the studies of job seeking activity that have been conducted.

A REEXAMINATION OF STUDIES OF JOB SEEKING BEHAVIOR

The objective in this section is to review what is known about jobseeking activity and its results, focusing on jobseeker choices among different methods of search and the extent to which different segments of the population use particular formal intermediaries. This examination is undertaken using the approach developed in the previous section, and it is followed by recommendations to move our understanding of job seeking behavior beyond the limited conclusions which can be drawn from the studies completed to date.

An Overview

None of the studies reviewed was designed to answer the central question posed in this paper:

- How do job seekers choose among methods of search?

Many were only intended to address the less demanding question:

- What job seeking methods are used?

Other studies have addressed only the more limited question:

- What job seeking methods are used successfully?

We are therefore forced to infer the rules which guide job seeker decisions from the recorded behavior which they exhibit.

Each of the studies examined covers a limited population in a specific historical context. Attempts to extract generalizable conclusions from these unique circumstances must be treated with extreme caution.

The findings of thirty-four studies¹¹ spanning the period 1932-1977 have been reviewed. Twenty-three of these studies focused on job *finding* only, three addressed job *seeking* only, and eight investigated both successful and unsuccessful search activities. Nine of these studies treat job seeking activity occurring during the 1970's.

It is not possible to discuss the details of sample coverage and economic conditions pertinent to each study examined, but it is important for the reader to understand why these studies were undertaken.

This inquiry was undertaken to learn the methods by which men and women obtain employment in the full-fashioned hosiery industry in Philadelphia.¹²

A typical, small New England industrial community is the subject of our study. We were interested in determining the extent to which factory workers moved voluntarily or were forced to move from one firm to another during the period 1937-39 and again in 1942.¹³

¹¹ Findings of the studies of successful job search conducted prior to 1970 and bibliographic citations.

¹² Dorothea De Schweinitz, How Workers Find Jobs, Philadelphia, PA: University of Pennsylvania Press, 1932, p. 1.

¹³ Charles A. Myers and W. Rupert MacLaurin, The Movement of Factory Workers, New York, NY: John Wiley and Sons, Inc., 1943, p. 6.

Do the job hunting patterns of Negroes differ from those of whites? Is the job search of recent Negro and white migrants similar? . . . Are there any channels of job information open to whites that are not open to Negroes? . . . These are some of the questions we will try to answer in this paper.¹⁴

The major purposes of the present study are 1) to push beyond this current body of knowledge, and to make more specific the widely accepted findings and generalizations about the employment and job-finding experiences of broad categories of workers . . .¹⁵

To find out how poverty area residents seek work, questions on the subject were included in the Urban Employment Survey in selected poverty areas of Atlanta, Chicago, Detroit, Houston, Los Angeles, and New York. . . . This article presents some findings from the Urban Employment Survey on job seeking methods used by poverty area residents of these six cities and describes major variances in their job seeking behavior, categorized by sex, ethnic origin, and labor force characteristics.¹⁶

In this paper, we devote significant space to describing (job seeking) techniques in rural vis-a-vis urban areas. However, emphasis will be placed on comparing the *relative effectiveness* of various job search techniques.¹⁷

This article reports on job seeking methods used by unemployed workers during 1970 and 1971 and points to the potential value and limitations of these data, which the Bureau of Labor Statistics plans to publish on a regular basis beginning later this

¹⁴Melvin Lurie and Elton Rayack, "Racial Differences in Migration and Job Search: A Case Study," The Southern Economic Journal, 33 (July 1966), p. 81.

¹⁵Harold L. Sheppard and A. Harvey Belitsky, The Job Hunt: Job-Seeking Behavior of Unemployed Workers in a Local Economy, The W.E. Upjohn Institute for Employment Research, 1965, p. i.

¹⁶Harvey J. Hilaski, "How Poverty Area Residents Look For Work," Monthly Labor Review, (March 1971), p. 41.

¹⁷Brian Rungeling, Lewis Smith and Loren Scott, "Job Search in Rural Labor Markets," Industrial Relations Research Association 28th Annual Winter Proceedings, Madison, WI, 1975, p. 120.

year.¹⁸

This study is the first major effort to determine the role of the USES in the labor market turnover of a significant segment of American cities. To achieve this goal, the study design wedded employment service characteristics to recruitment and job search activities in the areas served by these offices.¹⁹

To investigate the job search methods workers used and their relative effectiveness, a nationwide survey was conducted in January 1973. The survey covered nearly 16 million employed wage and salary workers 16 years old and over who were not in school and who had started their current job during 1972.²⁰

A chronological review has been chosen for two reasons. First, it is important to determine whether the studies to date collectively represent incremental improvement in our understanding of job seeking behavior. And second, we are interested in detecting changes which may have occurred in the pattern of use of job seeking methods; changes that might provide hints about the future direction of labor market intermediaries.

Findings of Previous Studies

The De Schweinitz study of the full-fashioned hosiery industry in Philadelphia deserves more than ceremonial homage. This analysis of how workers became associated with the industry during a period of rapid expansion in the 1920's

¹⁸ Thomas F. Bradshaw, "Jobseeking Methods Used By Unemployed Workers," Monthly Labor Review, (February 1973), p. 35.

¹⁹ CAMIL Associates, Inc., Recruitment, Job Search, and the United States Employment Service, Philadelphia, PA, 1975, p. viii. For a recent examination of the British public employment service, see: Brian Showler, The Public Employment Service, Longman, New York, NY, 1976.

²⁰ U.S. Department of Labor, Bureau of Labor Statistics, Job-Seeking Methods Used By American Workers, Bulletin 1886, 1975, p. 1. Also see: David E. Gower, Job Search Patterns in Canada, Special Labour Force Studies, Series A, No. 10, Statistics Canada: Labour Division, November 1975.

provides two important lessons which should be heeded by anyone who proposes to intervene in the allocation of job opportunities. First, as the industry prospered, the relative importance of referral by formal intermediaries and direct contact declined, and the relative importance of inside advocates increased. Relatively attractive employment opportunities were withdrawn from the open market and rationed through incumbent employees who both knew the applicant characteristics desired and were themselves vulnerable to being held in disfavor if a hiree failed to meet performance expectations. Second, when a period of decline in the industry occurred: "Methods of seeking employment were the same as hitherto but the efforts were unaccompanied by results; the methods were expensive, fatiguing, and disheartening. Friends with pull did not count when there was no work to be done."²¹

In this case study it is apparent that favorable economic conditions in the industry allowed firms and *successful* applicants to maintain low search costs.²² However, little attention is devoted to the behavior of the *unsuccessful* bidders for these jobs.

De Schweinitz' findings are consistent with what our conceptual framework, and common sense, would predict in such a situation. Relatively attractive job opportunities had to be rationed, and a *quid pro quo* between employer and incumbent employees was readily available to perform this function. There was no need for an external broker who would require payment for providing recruiting and

²¹De Schweinitz, op cit, p. 107.

²²See Stigler, loc cit; and Joseph C. Ullman, "Interfirm Differences in the Cost of Search for Clerical Workers," The Journal of Business, 41 (April 1968), pp. 153-165.

screening services; or who, even at no cost to the employer, could provide less adequate screening at the intensive margin than that offered by incumbent employees.

Before moving on to examine subsequent studies, two observations should be noted. First, the distributive aspects of allowing coveted opportunities to be rationed in this manner warrants attention. Secondly, the *quid pro quo* which existed in the full-fashioned hosiery industry in Philadelphia in the 1920's exists in many comparable circumstances today. If greater participation in these sectors by external brokers and their constituents is desired, this *quid pro quo* must be challenged.

The findings of the twenty-two post-WWII studies of successful job search merit limited attention here for several reasons. First, with few exceptions, the studies were designed to address either or both of the following questions: How do registrants with a public employment service office actually find jobs? Or, in the face of a permanent plant shutdown, how do terminated workers find employment? The samples are therefore tied to a specific establishment or to one or more local ES offices, limiting their usefulness for our purpose. Secondly, the most recent of the studies included are now a decade old.

Keeping the caveats stated above in mind, what contribution do these studies make to improving our understanding of how job seekers choose among search methods? Virtually none. The consistency with which "friends and relatives" and "direct application" appear as the dominant *successful* methods used provides no insight about the total distribution of job seeking activity. However, our analytical framework suggests that *if* other methods were "used," and *if* this use produced job offers, *then* the results from using informal methods were preferred. Also consistent

with the data presented in the Appendix are two other circumstances: 1) Nonuse of other job seeking methods, and 2) failure of other methods used to produce job offers. Nonuse would be explained by expected poor performance relative to available alternatives. Unsuccessful use, or use which produces relatively undesirable job offers,²³ would also be expected to affect future decisions about job seeking strategy. The findings reported in the Appendix do not allow any conclusion to be reached about the relative importance of these three possibilities. Furthermore, no evidence is exhibited which permits any conclusion to be reached about relative *effectiveness* of different job seeking methods. The latter determination requires prior estimation of the time and purchased service inputs which go into job seeking, and the payoff accruing to this investment.²⁴

²³This event is particularly important to an understanding of the job seeking behavior of transfer payment recipients whose continued eligibility might be jeopardized by refusal of a bona fide job offer. There is an incentive of varying degrees of importance for such persons to avoid discovery of job offers that are unacceptable. The consequences of this possible conflict between administrative agency and personal interests are likely to become more apparent in the future as new administrative requirements and procedures are introduced in the food stamps and unemployment insurance programs. See: David W. Stevens, "Invited Statement," Oversight Hearings on Comprehensive Employment and Training Act: Relationship Between Employment Services and Unemployment Program, House of Representatives, 94th Congress, 2nd Session, (Part 2). June 17, 1976, pp. 185-201.

²⁴See: Robert J. Gordon, "The Welfare Cost of Higher Unemployment," Brookings Papers on Economic Activity; 1973:1, pp. 133-195; and, Stanley P. Stephenson, Jr., "The Economics of Youth Job Search Behavior," Review of Economics and Statistics, (February 1976), pp. 104-111.

Lurie and Rayack²⁵ illustrate the importance of a particular type of information flow at the intensive margin which screens essential experience elements and excludes those who are not privy to this channel of communication. This phenomenon is referred to as ". . . chain migration, to describe that movement in which prospective migrants learn of opportunities, are provided with transportation, and have initial accommodation and employment arranged by means of primary social relationships with previous migrants."²⁶ This mobility pattern is introduced by Lurie and Rayack to explain why perpetuation of a racially segmented labor market would be expected to occur even in the absence of overt racial discrimination at the present time. Again, if one aspires to sever such chains the *quid pro quo* represented must be replaced.

Thompson's analysis of programs established to help former aerospace professionals enter new lines of work under the auspices of the Technology Mobilization and Reemployment Program of the U.S. Department of Labor provides a final example of a study which examined successful job search only. The principal conclusion that is germane is:

. . . Certain programs were effective in enabling former aerospace professionals to become reemployed. These programs had one feature in common: In addition to providing technical retraining, they reduced the retrained applicants' information costs by informing them in detail of what their alternative

²⁵Lurie and Rayack, loc cit. "The sample size was 250; of this number, 150 were Negroes and 100 were whites. The sample was stratified to include only males who were members of the labor force, who were 45 years of age or less, and who were employed in nonprofessional and non-managerial occupations." The study was conducted in the Middletown, CN, labor market area in the summer of 1964.

²⁶Ibid, quoting John S. and Leatrice D. MacDonald, "Chain Migration, Ethnic Neighborhood Formation, and Social Networks," The Milbank Memorial Fund Quarterly, January 1964, p. 82.

employment opportunities were like, or they reduced the cost to employers of learning about the retrained applicants.²⁷

This finding is consistent with the prediction we would make using the analytical framework presented in section 1: The expected *relative* cost of acquiring a given awareness of opportunities matters in an individual's decision whether to use a particular job seeking method.

If the job-finding studies which have been conducted provide limited insight for our purposes, are the studies of job seeking more useful? Yes, but only to a very limited extent. Chronologically, Hilaski's study²⁸ of Urban Employment Survey (UES) data collected in 1968-69 is the first one examined that purports to address job seeking effectiveness. "In addition to being questioned on the total number of methods used, job seekers were asked which method they used most and which was instrumental in obtaining their present or last job."²⁹ The definition of *use* adopted prohibits any interpretation of effectiveness in standard terms of producing a desired effect with a minimum of expense.³⁰ Hilaski wrote:

To arrive at some measure of the effort expended and its effectiveness, Urban Employment Survey residents were asked to identify each and every method used, as indicated in the following questions:

1. Did you check with the State Employment Service?

²⁷Velma M. Thompson, "Unemployed Aerospace Professionals: Lessons For Programs for Mid-Life Career Redirection," Policy Analysis, 3:3 (Summer 1977), p. 376.

²⁸Harvey J. Hilaski, loc cit.

²⁹Ibid, p. 44.

³⁰See: David W. Stevens, "Job Search Techniques: Comparative Indices of Effectiveness," Quarterly Review of Economics and Business, 12:2 (Summer 1972), pp. 99-103.

2. Did you apply directly to an employer?
 3. Did you ask friends and relatives?
 4. Did you check the newspapers?
- . . .³¹

Unfortunately, this approach characterizes most major surveys conducted to date.³² If we are to illuminate the job seeker's rules for deciding which search methods to use we must measure the 'own time' and 'purchased services' inputs required to activate each method, and the results which follow this action. In the Hilaski study, direct contact could have been by personal visit, telephone or mail. Asking friends or relatives, or checking the newspapers, implies no necessary contact at all with employers. 'Checking with the State Employment Service' may range from perfunctory contact accompanying appearance to collect an employment insurance benefit check, to daily visits for the express purpose of securing a job referral.

What interpretation, then, should we give to the following findings Hilaski reports (emphasis added)?

- Job seekers in all six poverty areas *used* an average of about three methods each to find employment, with no appreciable difference among the individual areas.
- Direct contact with employers was the method *used* most frequently in each of the six cities.
- Differences between areas in the utilization of any given method were for the most part minor.
- Differences among job seekers grouped by sex and age were small.

³¹Hilaski, op cit, p. 41.

³²For three exceptions see: David W. Stevens, Assisted Job Search For The Insured Unemployed, The W.E. Upjohn Institute For Employment Research, Kalamazoo, MI, January 1974; and, V.C. Austermann, R.L. Crosslin and D.W. Stevens, Can the Unemployment Insurance Service Improve the Employment Prospects of Claimants, Unemployment Insurance Service, U.S. Department of Labor, November 1975.

In terms of the methods *used*, Negroes were more likely than whites (most of whom, in the areas surveyed, were Spanish Americans), to contact the public employment service and community organizations in looking for work.

On balance, differences in methods of job search based on the job seekers' occupational affiliation were not substantial.

. . . Job seekers found checking with relatives to be extremely effective.

When the two economically different groups (poverty area and nonpoverty area) were compared, job seeking patterns were not substantially different . . . Overall, differences between the two types of areas were not sufficiently large to warrant any conclusions that the job seeking behavior of poverty residents has been ineffective, and thus a major cause of their economic problems.

The definitions of *use* and *effectiveness* are inappropriate to provide a foundation for any conclusion about the investment of time and purchased services that is required to produce job offers.

Consider the data presented in Tables 1, 2, and 3, which are drawn from the author's own survey of unemployment insurance claimants in St. Louis, MO during 1971-1973.³³ Table 1 addresses the question:

Focusing only on those who contacted at least one potential employer in person based on a particular source of information, what is the average number of employer contacts made through each method during a four week observation period?

³³ See: David W. Stevens, Unemployment Insurance Beneficiary Job Search Behavior: What Is Known and What Should Be Known For Administrative Planning Purposes, Unemployment Insurance Service, U.S. Department of Labor, 1977, pp. 26, 28, and 30.

TABLE 1
 RATIO: NUMBER OF IN-PERSON CONTACTS
 MADE/NUMBER OF USERS

	Number of Contacts/ Number of Users
Public employment service referral	1.9
Public employment service suggestion	2.5
Private employment agency	3.1
Friend/relative suggestion	4.1
Newspaper advertisement	5.6
Telephone listings	6.1
Other	6.6
No prior knowledge of openings	7.6

Source: David W. Stevens, Unemployment Insurance Beneficiary Job Search Behavior..., p. 26.

Each ratio reflects the average number of actual in-person contacts made with possible employers, *by those who made one or more such contacts*, based on each source of information shown. The range of these ratios provides an estimate of the magnitude of error that is associated with interpretations of effectiveness that consider only *whether* a source of information is used, instead of *how often* contact is initiated on this basis.³⁴

What relationship exists between the rank ordering of job seeking methods in Table 1 and the relative 'own time/purchased services' mix in pursuing job search? The smaller the input of outside advocacy on one's behalf, the greater the observed number of contacts made. In other

³⁴ These ratios still do not reflect interpersonal differences in the real resource and foregone earnings costs of initiating a contact; differences in transportation cost looming large in this regard. Note, too, that *use* in this table refers to actual in-person employer contacts initiated on the basis of leads secured from the various sources of information.

words, the lower the quality of prior information, the greater the input of one's own time which is required. *Own time and external screening sources are substitutes in the job seeking process.*

Table 2 focuses on the question:

How many job offers accepted were generated per contact made through each job seeking method? This proportion gives us a much better idea of the amount of 'wheel-spinning' that occurs in the use of each source.

TABLE 2
RATIO: JOB OFFERS ACCEPTED/IN-PERSON
CONTACTS INITIATED

	JOB OFFERS/CONTACTS ACCEPTED/INITIATED	ACCEPTANCE/ CONTACTS RATIO
Public employmt. serv. referral	23/555	.058
Private employmt. agency	26/534	.049
Friend/relative suggestion	160/4796	.033
Public employmt. serv. sugg.	14/765	.019
Newspaper advertisement	66/6536	.010
No prior knowledge of openings	66/7714	.009
Telephone listings	4/3083	.001
Other	63/886	.071

Source: Same as Table 1, p. 28.

Here, each ratio indicates the proportion of in-person contacts made through each method of search which led to an actual job acceptance. The placement rate per contact made is highest for the public employment service. Fewer than one out of every sixteen contacts allegedly initiated with prospective employers based on a specific job-referral received from a public employment service office produced a job acceptance. Fee-charging agencies are not far behind

in this ranking of effectiveness.

Do these findings suggest that the heavy reliance on informal job seeking methods which is observed is ill-conceived? Not at all. It merely means that, for those who reach the point of initiating contact with a prospective employer through the auspices of a formal broker, a substantial investment has been made³⁵ in purchased screening services. What Table 2 demonstrates is that costs incurred in providing a prior screening function are reflected in a higher average probability that a job offer will be forthcoming and accepted. Obviously, this relationship has little bearing on the fortunes of those who do not receive a referral.

A different measure of effectiveness of job seeking methods is found in Table 3. Here we ask:

What proportion of job offers received through different methods of search were accepted? A ratio of 1.0 would indicate that every offer received was accepted. This measure contributes to our understanding of the quality of offers relative to the job seekers' aspirations. Whereas uninformed job seeking (in the form of direct in-person contact without prior knowledge of job openings) produced few acceptable job offers per contact initiated (Table 2), this approach produced the highest job-offer acceptance rate. This is consistent with the last-resort nature of this type of search. Having exhausted alternative sources of job leads which had a higher expected payoff to time and money invested in pursuing them, whatever is discovered through this approach is likely to be accepted.

³⁵The observed resource costs of providing this screening function are borne by different persons in particular situations, and the unobserved costs of time spent in job seeking are included in calculating the size of this investment.

TABLE 3
 RATIO: JOB OFFERS ACCEPTED/
 JOB OFFERS RECEIVED

	JOB OFFERS/JOB OFFERS ACCEPTED/RECEIVED	ACCEPTANCE RATE
No prior knowledge of openings	66/75	.88
Friend/relative suggestion	160/186	.86
Public employmt. serv. referral	32/41	.78
Private employment agency	26/35	.74
Newspaper advertisement	66/91	.66
Telephone listings	4/8	.50
Other	63/79	.79

Source: Same as Tables 1 and 2, p. 30.

The relatively high acceptance rate exhibited for the 'friend/relative suggestion' category is explained in very different terms. In this case, at the preliminary screening stage the quality of information at the intensive margin is high, so there is a high probability that a forthcoming offer will be accepted. (But recall that fewer than four percent of the contacts made on the basis of leads from friends or relatives resulted in a job offer: $186/4796 = .039$)

It is concluded that the job seeker's time can be substituted for purchased services, but that this is a highly imperfect tradeoff. The degree of imperfection is indicated by the relative incidence of unsuccessful contacts with employers, and the relative occurrence of unacceptable job offers associated with job seeking methods classified by the relative importance of time versus

purchased service inputs.

It is interesting to reexamine Bradshaw's analysis of 1970-71 Current Population Survey (CPS) data³⁶ with this background. The CPS definition of use of a job seeking method is identical to that used in the Urban Employment Surveys data used by Hilaski.

Bradshaw found that teenagers made relatively less use of formal labor market brokers and more use of uninformed direct contact than the distribution of job seeking activity observed among prime-age job seekers (ages 20-54). Older job seekers made less use of direct contact and relatively greater use of professional organization, union and nonprofit agency representation.

These relationships are consistent with what one would predict on the basis of our conceptual framework. Teenagers have relatively little to offer that one would expect to command a price for providing screening services: The intensive margin of information production is of relatively little consequence. This relationship may be reinforced by the relatively low value placed on alternative uses of time by teenagers. Conversely, older persons (those 55 years and over) have much more reason to invest in information at the intensive margin, and a greater likelihood of union representation.

Bradshaw reports that:

(a) larger percentage of men than of women tried public employment agencies, sought help from friends and relatives, and attempted 'other' methods. On the other hand, women relied more heavily on newspaper ads.³⁷

³⁶Bradshaw, loc cit.

³⁷Ibid, p. 36.

It is impossible to interpret this finding without conducting some type of complex multivariate analysis. Job seeking men are more likely than women to be job losers rather than new entrants or reentrants. This means that men have a higher probability of being eligible for unemployment insurance benefits, a status which is frequently accompanied by registration with a public employment service office. Since there are more men than women employed, it stands to reason that men would be more likely to rely more heavily on male friends and relatives for inside information. Similarly, union representation is higher among the male employed than among women.³⁸ There is no way to determine from Bradshaw's analysis what the net effect of sex on job seeking behavior is, separate from other differences which are associated with the sex of the job seeker; *e.g.*, previous work experience, immediately preceding labor force status, and union membership.

Since cross-tabulations of job seeking method use by industry and occupation, full-time or part-time employment sought, and reasons for unemployment are subject to the same criticism, Bradshaw's report of these findings is not discussed here. Similarly, Bradshaw's report that: ". . . job seekers averaged slightly more than 1½ methods each"³⁹, and that ". . . no individual category averaged as many as two methods, and none much less than 1½

³⁸ There is no simple relationship between union membership and reliance on this status as a primary job seeking method. Not all unions provide referral services, and those that do use different rationing criteria.

³⁹ Ibid, p. 38.

methods,"⁴⁰ is judged meaningless in the context of our analytical framework.

Felder's study⁴¹ comes closest to meeting the analytical requirements of our approach. One of his objectives was to estimate the parameters of a demand equation relating the use of different job seeking methods to demographic, wage, and nonwage income characteristics of the job seeker.

The multivariate approach to estimating probability functions of job seeking method use offers much greater promise than the sequential two- and three-way cross-tabulations others have used. The forces which shape the individual's decision to use, or not to use, a particular job seeking method clearly operate simultaneously; therefore, these forces must be investigated in a manner that is adequate to represent this simultaneity.

The Rungeling, Smith and Scott⁴² study of job seeking in rural labor markets is important because it demonstrates the relevance of institutional differences in explaining differences in job seeking behavior across labor market areas. Public and fee-charging employment agencies, community-based organizations, unions and area-specific newspapers, are less prevalent in rural areas. This limited availability of purchased service inputs for job seeking is reflected in the authors' finding that in the rural areas studied a substantially larger proportion of successful job seeking was accomplished through direct application to

⁴⁰ Ibid

⁴¹ Henry E. Felder, "Job Search: An Empirical Analysis of the Search Behavior of Low Income Workers," Research Memorandum 25. Center for the Study of Welfare Policy, Stanford Research Institute, May 1975. Since the population studied--low-income persons in Denver, Colorado who participated in the Denver Income Maintenance Experiment (DIME) and completed a spell of unemployment in 1970--provides little basis for generalization, Felder's methods are of more interest than the conclusions reported.

⁴² Rungeling, Smith and Scott, loc cit.

employers than is observed in similar studies conducted in urban areas. Would the presence of formal intermediaries in the rural areas be expected to affect this pattern of successful job seeking? The limited presence of fee-charging agencies in rural areas suggests that information deficiencies which can be corrected for a price are not present in sufficient number to warrant their expansion into this market. A factor in this situation is the limited extent to which quality variation among rural job-openings and job seekers exists and is unknown. The scale of rural labor markets is such that greater familiarity either exists or can be more readily acquired through acquaintances by any participant in a potential hiring transaction than would be expected to characterize a more diversified urban area.

The most frequently cited recent study of job seeking behavior is Bureau of Labor Statistics Bulletin 1886: Jobseeking Methods Used By American Workers.⁴³ Unfortunately, this report provides little improvement in our understanding of how individuals select among available job seeking methods. A more serious deficiency, though, is the consequences which might result from following recommendations offered for improving the effectiveness of job seeking activity. A few examples must suffice.

The following finding is reported:

Smaller proportions (of blacks) applied directly to employers or answered local newspaper ads, methods which have relatively high effectiveness rates. Blacks should be encouraged to use

⁴³A supplement similar to the January 1973 Current Population Survey supplement which produced the data for this Bulletin was administered in May 1976. Carl Rosenfeld's article cited in fn 2 on p. 1 is based on this survey, and a sequel focusing on the intensity of job search is scheduled to appear in the November 1977 issue of the Monthly Labor Review.

these two methods to a greater extent, now that the government and industry programs are in force to eliminate discriminatory hiring practices. Continued high dependence on friends and relatives for job leads will limit the range of job opportunities for blacks.⁴⁴

No exception is taken to the last statement; the issue is what alternative to recommend. Recalling the conclusions drawn from data presented in Tables 1 and 2, and considering the probability that blacks are less likely than whites to receive a job offer in situations where applicant experience elements are relatively important, the recommendation offered would be likely to result in untoward consequences for black job seekers. The definition of *use* applied in the BLS Bulletin creates a mistaken impression that *use* of direct contact, for example, is highly effective:

Of all persons who applied directly to employers for work, about half found their job that way--about double the percentage for the methods with the next two highest rates.⁴⁵

Unobserved in this measure of effectiveness is any consideration of the costs incurred in making futile contacts through this method; a factor that is expected to be particularly important if race is considered in the hiring decision.

Blacks will not have to be encouraged to use the

⁴⁴U.S. Department of Labor, op cit, p. 2.

⁴⁵Ibid.

direct application and newspaper ads⁴⁶ methods when they are assured that their race does not diminish the probability of receiving a job offer in these ways below the minimum level consistent with the costs associated with use of these methods, and when these methods are demonstrated to offer better prospects than alternative job seeking approaches which are available. Investment in information at the intensive margin is one action available to blacks to cope with a situation in which racial discrimination is known to exist, but it is not known which employers are guilty of this practice. Uninformed direct contact and reliance on newspaper ads are poorly designed to produce information of this type.

Consider a second recommendation made in the BLS Bulletin:

Some joblessness could be decreased, if not prevented, if employers could notify employees well in advance of a layoff and permit them to take off a few hours a week, with pay, to look for another job.⁴⁸

What *quid pro quo* exists for employers to comply with this suggestion? Why should they risk the potential loss of

⁴⁶The author has been told that placement of job-opening advertisements in ethnic newspapers is interpreted as evidence that these are 'token' positions reserved for minority persons; a signal that job seekers should avoid these employers. This indicates the complexity of discerning when genuine equal opportunity prevails. Mandated listing of job openings in compliance with affirmative action or other administrative requirements increases the job seeker's cost of screening opportunities, without an accompanying increase in the expected payoff from incurring such costs, in those cases where the actual hiring practice remains exclusionary. Of course, documentation of exclusionary hiring practices is facilitated by the application and rejection of candidates whose qualifications appear to be consistent with those of the persons actually hired.

⁴⁷U. S. Department of Labor, op cit, p. 2.

⁴⁸Ibid, p. 3.

employee services through premature exit?⁴⁹

The point of these criticisms of the BLS recommendations is that inadequate thought appears to have been given to the probable consequences of applying to other circumstances what appear on the surface to be favorable job seeking outcomes.⁵⁰

Since many observers consider what they find job seekers doing to be ill-conceived,⁵¹ it is worthwhile to cite one example of a behavior pattern that has been characterized as contradictory, but which, in fact, is easily explained within our analytical framework. Bradley Schiller asserts that:

There appears to be a contradiction between the methods used by former WIN (Work Incentive Program) participants to find jobs and the results achieved. In particular, WIN services in the public employment agencies are under-utilized and held in relatively low regard, despite their relatively high payoff. Self-placement (friends, direct application, want ads) continues to be the preferred mode of job search even though it is associated with lower success rates.⁵²

Schiller uses the same inappropriate measure of effectiveness as that reported in previous studies. He therefore is led to incorrect conclusions from invalid comparisons of

⁴⁹Such *quid pro quo* might be created by devising an experience rating system for unemployment insurance tax payments which would make it substantially more attractive for employers to diminish the frequency with which their former employees file claims to receive UI benefits.

⁵⁰For an example of the consequences of misinterpretation in another job seeking context see: Thomas F. Bradshaw and Janet L. Scholl, "The Extent of Job Search During Layoff," Brookings Papers on Economic Activity, 1976: 2, pp. 515-526.

⁵¹Cf. Edward D. Kalachek, Labor Markets and Unemployment, Belmont, CA: Wadsworth Publishing Co., Inc., 1973, p. 58.

⁵²Bradley R. Schiller, "WINning the Job Search," Manpower, January 1975, p. 19.

use among job seeking methods. No recognition is given to the different types of information sought through the respective methods.

The most detailed recent findings about job seeking behavior are contained in a 1976 R&D Monograph issued by the Employment and Training Administration, U. S. Department of Labor.⁵³ Only the job seeking behavior of job-finders is reported. The analysis is important here because recognition is given to the interpretive problems created by mandatory registration with a public employment service office required of some transfer payment recipients, and mandatory listing of job openings by certain federal contractors. Any such mandated action clouds our understanding of individual decisions about the use of job seeking methods. The specific findings reported (which are too numerous to review here) are consistent with those of earlier studies and with the predictions derived from our conceptual framework.

The final study examined for this paper is Carl Rosenfeld's report on the job search of employed workers⁵⁴ based on data collected in a supplement to the May 1976 Current Population Survey. This article continues the series of studies which report similar findings based on what must by now be considered a standard definition of job seeking methods *use*. The concluding paragraph states:

There was generally little, if any, difference between men and women and between whites and blacks in the proportions who used each of the job seeking methods. However, greater proportions of blue-collar than white-

⁵³ Recruitment, Job Search, and the United States Employment Service, R&D Monograph 43, Employment and Training Administration, U. S. Department of Labor, 1976, pp. 1-52 through 1-67.

⁵⁴ Carl Rosenfeld, loc cit.

collar workers, of part-time than of full-time workers, and of low earners . . . than of high earners . . . applied directly to employers or used the public employment agencies; greater proportions of white-collar workers used classified ads and private employment agencies.⁵⁵

Does this statement, and all similar conclusions which have preceded it, unintentionally divert attention from what may be substantial differences among individuals in the use of job seeking methods and the relative success achieved thereby? This issue is addressed in the final section of this paper.

WHAT WE SHOULD, BUT DON'T KNOW ABOUT JOB SEEKING BEHAVIOR

There are at least two, and sometimes three or more, actors involved in a labor-exchange transaction. Each actor has his or her reasons for involvement, and differences among them must be recognized. Employers seek candidates who exhibit promise of fulfilling certain performance standards at generally pre-established compensation levels. Employers are interested in accomplishing the necessary screening function at the lowest possible cost. Sources of information about candidates differ with respect to the types of information provided and the costs incurred by employers in accessing this information.

Job seekers are interested in the discovery of job openings for which they qualify and that meet or exceed certain quality criteria.⁵⁶ The decision whether to seek work, what methods to use, what opportunity to accept if

⁵⁵Ibid, p. 62.

⁵⁶Again, some recipients of transfer payments would be expected to exhibit an avoidance of job offers for which they qualify but which fall below their personal aspirations (see fn 23).

offered, and when to renew search once terminated, are all dependent in part on the quality and timing of information which is available to the individual. The investment expected is predictable once the person's qualifications are known.

Completion of a hiring transaction requires at least temporary satisfaction of both a candidate and the employer involved. In each case the decision to contract is based on some awareness of alternative opportunities, and on the basis of a judgment that additional knowledge is unnecessary.

Participation by an intermediary between job seekers and employers requires satisfaction of at least one of the following conditions if the intermediary is to prosper:

- Visibility as the *only* means of acquiring desired information.
- Visibility as the *least costly* of multiple means of acquiring desired information.
- Servicing a continuously changing clientele on at least one side of the transaction with no transmittal of dissatisfaction to future constituents if neither of the first two conditions is met.
- Nonaccountability for failure to meet one of the first three conditions.

If an intermediary is successful in creating an illusion that it meets one of the first two conditions stated above, when in fact it does not, its continued existence imposes unnecessary costs on those who are misled by the illusion. Since ability to pay for purchased information services is unevenly distributed, these illusion costs will also be unevenly distributed.

What appears on the surface to be an example of such an imperfection--the coexistence of 'free' public employment service and community-based organization job-referral, and fee-charging agency provision of seemingly

identical services--on reexamination reveals a closer resemblance to a complementary relationship than one of exact substitutes. Relative emphases at the intensive and extensive margins of information improvement, relative attention to the inspection and experience elements of constituent qualification, and the mix of job seeker time and purchased services required all differ between these two types of intermediary.

Lester Thurow distinguishes private/personal and individual/societal preferences.⁵⁷ The former determine how one plays the game according to the established rules, and the latter reflect what one thinks the rules ought to be. This distinction is useful in considering the role of formal labor market intermediaries. On the social level one can conceive of any configuration of intermediaries desired, without recognition of institutional realities. At the private/personal level it is necessary to understand what these institutional realities are, how the participating actors behave under the circumstances, and only then to consider how the current rules can be molded into closer consonance with the desired rules.

With few exceptions, job seeking studies to date have adopted data collection procedures and presentation formats which contribute little to our understanding of the distribution of costs incurred in job seeking. Limited evidence has been presented from the author's own studies which suggests that the magnitude of error involved in drawing recommendations from inappropriately defined classifications is quite large.

⁵⁷Lester C. Thurow, Generating Inequality, New York, NY: Basic Books Inc., 1975, pp. 40-41.

What important questions about job seeking behavior remain unanswered? The major unanswered questions that have immediate policy relevance are:

- What job seeking costs, and differences in costs, are incurred by, and on behalf of, different segments of the population? Examination of this question will require a new definition of *use* of job seeking methods; one that reflects the time and real resource costs involved in actually contacting potential employers. If surveys are to be conducted the classifications to be used should be determined on the basis of the important questions that are to be answered. For example, the 'other' method of search reported in studies to date includes many individual sources of information. Is the level, or incidence, of these job seeking costs socially undesirable; and if so, in what specific instances?
- What legislative and administrative actions are available to correct any deficiencies that are identified from investigation of the questions posed above?

What difference would it make if we knew more?

Would legislative and administrative actions reflect the improved awareness? The answer depends on the gains and losses involved, and the actions taken by the potential winners and losers. The current distribution of employment opportunities is satisfactory for a substantial number of people and organizations. If proposed changes are interpreted by these persons as a threat to continuation and improvement of their situation, adversary action should be expected. Improved awareness of the differential job seeking costs incurred by different population segments--costs associated with frequency, duration and methods of search--would contribute to the accuracy of the information available to the participants in this inevitable debate.

Is a separate youth employment service needed?

Should the unemployment insurance and employment-exchange functions of a local employment security office be severed from one another? Should fee-charging agencies be regulated in different ways? Are tests of willingness to accept available, suitable work cost-effective? Are uniform job search requirements inequitable? Are mandatory actions counter-productive because of the increased screening costs involved? An improved understanding of job seeking behavior could contribute to answering each of these important questions. The studies completed to date provide very little insight about any of these issues.

APPENDIX

Survey of Studies Indicating Which Job Search Channels Were Used
Successfully by Jobseekers

JOB SEARCH CHANNELS																
Author(s)	Date of Study	Labor Market Area	Size of ¹ Pop.	FORMAL						INFORMAL					Recall	Other
				Public Employment Service	Private Employment Agency	Want Ads	Union	Employer Assistance	School Placement Serv.	Friends & Relatives	Direct Appl.	Supp. LMI				
				%	%	%	%	%	%	%	%	%	%			
Stevens ^{2/}	1970	Cleveland, OH	1,040 vs. 227	11	2	18	2	-	-	35	26	1	-	5		
Stevens	1967	Pittsburgh, PA	1,019 vs. 307	23	3	15	-	-	-	30	17	2	-	10		
Sheppard-Belitsky ^{3/}	1966	Erie, PA	450 vs. 113	13	-	4	6	-	-	50	14	-	-	13		
Mac Quown	1966		8,658	4	23	11	-	-	-	12	37	-	-	13		
Minnesota B.E.S.	1966	St. Paul, MN	3,735	9	6	9	7	-	7	36	24	-	-	2		
St. Paul, MN B.E.S.	1965	St. Paul, MN	5,700	8	6	8	6	-	6	32	22	-	-	12		
Kaufman-Schafer et al ^{4/}	1965	(nine cities)		7	-	5	-	-	23	26	34	-	-	5		
Lurie-Rayack	1964	Middletown, CT		2	10	3	4	-	-	36	45	-	-	-		
Ferman	1963	Detroit, MI	185	1	1	1	40	16	-	9	27	-	-	5		
Ohio B.V.C.	1962-3	(six cities)	1,430	8	7	14	6	-	-	24	30	-	-	11		
Belzung-Owen-McNaughton	1962-3	Baytown, TX	245	-	-	8	6	9	-	27	39	-	-	11		
Ullman-Taylor ^{5/}	1961-3	Chicago, IL	345	3	10	14	-	-	18	37	9	-	8	1		
Wilcock-Franke	1960-62	Fargo, N.D.		9	-	-	-	-	-	31	35	-	-	18		
" "	1960-62	Peoria, IL		5	-	-	-	5	-	43	31	-	-	16		

(Continued)

Table 1. - Continued

JOB SEARCH CHANNELS														
Author(s)	Date of Study	Labor Market Area	Size of ^{1/} Pop.	Public Employment Service	Private Employment Agency	Want Ads	Union	Employer Assistance	School Placement Serv.	Friends & Relatives	Direct Appl.	Supp. LMI	Recall	Other
" "	"	E. St. Louis, IL	116	3	-	-	-	7	-	53	22	-	-	15
" "	"	Oklahoma City, OK		4	-	-	-	3	-	33	40	-	-	20
" "	"	Columbus, OH		4	-	-	-	12	-	37	32	-	-	15
U.S.E.S.	1958-62	(eight cities)		16	4	11	-	-	-	23	36	-	-	10
Sheppard-Ferman-Faber	1957-8	Detroit, MI		5	-	3	-	-	-	34	30	-	22	6
Wilcock-Sobel	1952	Kankakee, IL		8	-	19	-	-	-	46	23	-	3	1
Miernyk	1951-3	Providence, RI		3	-	7	3	-	-	32	42	-	-	13
"	"	New Bedford, MA		3	-	-	3	-	-	39	42	-	11	2
"	"	Fall River, MA		5	-	3	1	-	-	59	29	-	1	2
"	"	Lawrence, MA		3	-	7	1	-	-	50	35	-	-	4
"	"	Lowell, MA		9	-	9	2	-	-	36	35	-	-	9
Adams-Aronson	1949-50	Auburn, NY	450	2	-	-	-	-	-	22	52	-	12	2
Myers-Schultz	1948-9	Nashua, NH		5	-	3	3	-	-	38	16	-	33	2
Herman-Fox-Yoder	1947-8	Minneapolis, MN		6	5	14	7	-	-	30	32	-	-	6
Reynolds-Shister ^{6/}	1947	New Haven, CT		13	-	13	5	-	-	28	20	-	13	8
Reynolds ^{7/}	1947	(factory city)		350	13	-	5	1	-	-	27	42	-	8

^{1/} Many of the authors cited by Stevens gave no information as to size of study population.

^{2/} Definitely expected recalls excluded from study population.

^{3/} Recalls excluded from study population.

(Continued)

Table 1. - Continued

4/ Male graduates of vocational curriculum only.

5/ Key punch operators only

6/ Manual labor sample

7/ Manufacturing sample.

The summary of these studies primarily from David W. Stevens, Supplemental Labor Market Information As A Means To Increase the Effectiveness of Job Search Activity (University Park, PA: Institute for Research on Human Resources, 1968, p. 4

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IV. THE PUBLIC EMPLOYMENT SERVICE AS A
LABOR MARKET INTERMEDIARY

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THE PUBLIC EMPLOYMENT SERVICE AS A
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The purpose of this paper is to examine present, past, and future roles of the public employment service as a labor market intermediary. While the U.S. Employment Service is only one of many intermediaries, its history as an institution of national employment policy spans a larger array of functions than any other intermediary. Its uniqueness also is derived in part from its history as a creature of Congress; the Employment Service has been assigned direct, indirect, regulatory or coordinative responsibility overlapping some dimension of the role of nearly every other intermediary discussed in this volume. This suggests the need for an analytic framework comprehensive enough to encompass all labor market intermediaries to help sort out and examine public employment service relationships with other intermediaries. The role of the U.S. Employment Service will be examined as an interdependent element in a pluralistic network of labor market intermediaries; the analysis which follows assumes that the public employment service cannot be effective in isolation for other elements of the labor market.

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As national employment policy expands to embrace youth transition to work and welfare reform, the need to mobilize the resources of all labor market intermediaries becomes paramount. While private sector intermediaries may address elements of national *economic goals*, and other public sector and non-profit intermediaries may focus on aspects of the *social goals* reflected in national employment policy, only the Employment Service is mandated by legislation to serve both economic and social policy objectives.

The need for a conceptual framework large enough to encompass the functions of all labor market intermediaries also is affirmed by the accumulation of roles assigned to the Employment Service by Congress. By 1976, the public employment service was performing tasks detailed in the Wagner-Peyser Act of 1933 and the Social Security Act of 1935, from which it derives most of its operating funds, and providing services associated with 20 additional laws, 17 Executive Orders, and 14 inter-agency agreements.* This *ad hoc* accumulation of responsibilities suggests the need for a comprehensive perspective through which to examine Employment Service efforts to mobilize and synthesize resources, mediate between national policy and local needs, improve the effectiveness of its own and other labor market intermediaries, and address special problems represented by gaps in intermediary services.

This paper is organized with a view toward understanding "the full range of functions and institutions involved today in labor market intermediation" rather than a narrow inquiry into the role of any single

* W.H. Kolberg, Oversight Hearings on Comprehensive Employment and Training Act. Relationship Between Employment Services and Unemployment Program. 94th Congress, second session, Part 2. June 16-17, 1976, p. 19.

intermediary or function.* The diversity and breadth of intermediaries described in this volume reflect the growing specialization, competition and complexity of today's labor market; this inquiry into the Employment Service assumes that such diversity is healthy and likely to continue, and that the role of the public employment service should be examined in the context of a pluralistic, interdependent network of intermediaries. The discussion which follows begins with examination of the present roles and functions of the Employment Service; the focus then shifts to a brief historical look at the antecedents and evolution of the Employment Service in search for lessons which can be learned from past experience. The paper then concludes with a look ahead at some alternative policies, roles, and strategies as the U.S. Employment Service enters the 1980s and beyond.

THE PRESENT

Three recent studies suggest the present relationship of the Employment Service with other organizations involved in or attempting to influence labor market operations. The National Employer Committee concluded in 1972 and affirmed in 1975 that national and local goals within the public employment service often conflict and "prevent local needs from being met. Local employment service offices are given so many priorities that there are, in fact, no priorities."** Drewes and Katz, after finding that cooperative relationships between vocational educators and the Employment Service are impeded by limited channels of communication, recommended that Congress, the U.S. Department of Labor, and the U.S. Office of Education search for

*D.Q. Mills, "Labor Market Intermediaries: An Overview." Discussion draft prepared for the Commission's Conference on the Labor Market Intermediary, p. 40. Mills concludes his discussion with a call for such a comprehensive view of all labor market intermediaries.

**The National Employer Committee's Report Concerning Its Recommendations for the Improvement of the State Employment Services. June 1975, p. 3.

policies and strategies to improve collaborative planning between training institutions and the public employment service.* Most recently, a 1977 Urban Institute study of Employment Service operations concluded that a "clear and consistent sense of mission" and "collaborative relationships with other agencies" serving in intermediary roles were characteristic of employment service offices, whose productivity, measured in terms of job placements, "was higher than expected given their economic environment."**

What are the changes which compel a search for alternatives to the traditional labor exchange function of the Employment Service? While later sections of this paper attempt to examine this question in some detail, the following trends appear to the authors to be especially significant.

1. The shift from a goods-producing labor force to a services-dominated economy.*** This, in turn, has altered the skill mix of the American economy, shifting from the manual and physical skills essential 50 years ago to greater reliance today on intellectual and social skills.

* D.W. Drewes and D.S. Katz, Manpower Data and Vocational Education: A National Study of Availability and Use. Raleigh, N.C.: Center for Occupational Education, North Carolina State University; 1975, pp. 22-30, 43-51, 119-122.

** M.L. Chadwin, et al., The Employment Service: An Institutional Analysis. Washington, D.C.: The Urban Institute, 1977, pp. 1, 9-11.

*** The extent of this shift is especially clear upon examination of employment on nonagricultural payrolls by sector since 1919. While goods-producing industries (mining, construction and manufacturing) accounted for 47 percent of that total in 1919, by 1970 goods-producing industries employed just 33 percent of those on nonagricultural payrolls. This change has been gradual, but it continues to date; October 1977 data show a further decline to just under 30 percent of the total. Employment and Earnings, November 1977. Bureau of Labor Statistics, U.S. Department of Labor.

2. Changing labor force participation rates, especially for women, and the emerging notion that each able-bodied person above 16 years of age is *entitled* to a job he or she finds interesting, satisfying, and pleasant.
3. The broadening range of labor market intermediaries intervening in behalf of special sectors and populations in the labor market, leading to increasing levels of specialization, competition, and administrative complexity in relationships between the Employment Service and other intermediaries both public and private.
4. Persistently high unemployment rates even at relatively high rates of economic activity, leading to increased stress upon the public employment service due to imbalances between the demand for workers and the composition of the labor force; geographic imbalances between the supply and demand for workers; and especially difficult barriers to employment and employment stability for inexperienced and marginally productive workers.
5. Changing mobility patterns of workers among jobs, industries, and geographic areas. This has paralleled a rise in non-linearity of schooling, work, and retirement; more frequent shifts, especially among better educated persons, in their place of employment and residence; demographic shifts from urban to suburban to outer-ring smaller towns, and from one region of the country to another. Each of these factors tends to increase the number of changes, adaptations and transitions experienced during the worklife of a person, in turn increasing reliance upon a more diverse and pervasive network of intermediaries able to help people adapt to changes and effect transitions at different stages of life.
6. Lagging productivity growth and changing composition in the national job mix, leading to persistent imbalances between the work which needs doing and people willing and able to do it. This has led many employers to dust off, refurbish, rename and popularize managerial concepts which originated in the 1930s

with such terms as job enlargement, job enrichment, and quality of worklife. These concepts reflect major shifts in the values management and workers hold about each other, about work and its role in a person's life, about mutual expectations, and about the relationship between a person's job satisfaction and productivity.

7. A continuing experiment in governance and administrative strategies reflect political philosophies which result in perspectives that alternate between centralization and decentralization of authority, especially in social and employment programs. Each perspective alters the character and stress of intermediary functions by shifting the locus of authority to allocate money, select among alternative strategies, and control delivery of services from one level of government to another.*

The nature of these changes, plus the inability of any organization to recreate the past when dominant factors affecting its operation are outside its direct control, suggest the potential value of an illustrative analytic framework which can help place the Employment Service into a perspective that recognizes these changes--especially the need for complementarity among labor market intermediaries. The objective of the labor market model which follows is to introduce a conceptual model of labor market operations

* One of the peculiar ironies of the debate between those who advocate decentralization of administrative authority and those who prefer more centralized organizational strategies is that each represents a paradox between its intended objectives and its impact on lower levels of government. Decentralization tends to build up local and state governmental units at the expense of federal authority by reallocating money, decision-making, and responsibility for delivery of services to the local level. This tends to increase experimentation and diversity in delivery of intermediary services at the expense of efficiency. Recentralization, conversely, tends to reallocate authority to higher levels of government in an attempt to increase efficiency in the delivery of services at the local level by cutting through the local layers of government to provide service. Each alternative, then, appears to represent trade-offs among social policy objectives, efficiency, and effective delivery of services responsive to diverse local needs and resources.

which emphasizes opportunities to mobilize for common purpose the resources of all institutions in a pluralistic network of interdependent labor market intermediaries.

The Intermediary in a Labor Market Model

The labor market is a marketplace where workers and employers exchange services and wages; it is composed of five interdependent elements: labor supply, labor demand, price, labor market information, and labor market intermediaries. Price is the initial allocator of supply and demand, information makes data available for comparisons, and intermediaries help workers and employers use information to make better informed choices about a wider range of opportunities.

Labor supply is composed of those persons available for and actively seeking or engaged in work. This traditional definition may be enlarged to include "discouraged workers" and persons who elect to remain outside the labor force temporarily, but who can be attracted into it for a variety of personal and economic reasons.*

Labor demand includes both current and anticipated employment in the public and private sectors. Demand varies by occupation, skill level, industry, sector, location and condition of the economy. A factor often overlooked in attempts to assess Employment Service performance is the impact of the general health of a *local* or *state* economy on the amount and character of assistance needed by persons and employers.

* Formal definitions of the unemployed refer to persons who report having *actively* searched for a job within four weeks; this is the criterion used in reporting unemployment rates within the Employment Service and the Bureau of Labor Statistics. "Discouraged workers" are those who suspend job search efforts because of low expectations of success. Other persons may *choose* to remain outside the labor force, or enter and leave periodically, to seek additional training, bear or raise children, volunteer their time and talents to community service, or "consume" additional leisure. This latter group tends to reflect through their behavior the value they assign to work and its role in their lives.

Price, or the wages, benefits, costs and incentives associated with each type of employment, is the first level of allocation of workers and jobs. Traditional labor market theory assumes that price is a sufficient mediating force when labor supply and demand are out of balance, but these three elements of the labor market are necessary but *not sufficient* to explain how workers and employers make decisions in today's labor market.

Labor market information is the fourth element of the labor market; information is essential to enabling the person and employer to compare opportunities in the market. The person needs to know who is hiring for what jobs when and where he or she wants to work. Employers need to know when and where people are available for work and predictive information about their productivity as workers. Both need to know about the conditions, costs, pay and requirements of opportunities available in a labor market.

Labor market intermediaries are a critically important source of help to workers and employers when information and price are insufficient allocative mechanisms by themselves. Stevens identifies the *raison d'etre* of intermediaries as the need to help the person and the employer cope with "*imperfect* information that is *costly* to acquire and susceptible to becoming *obsolete*."* The intermediary attempts to reduce the cost and time of job search by increasing the range of options open to individuals and employers and by helping improve the quality of choice. Intermediaries help interpret information about a larger range of options within a shorter period of time by attempting to mediate differences between labor supply and labor demand. *The fundamental role of the intermediary is to*

* D.W. Stevens, "A Reexamination of What is Known about Job-seeking Behavior in the United States." A discussion draft prepared for the National Commission on Manpower Policy Conference on the Labor Market Intermediary, November 16-17, 1977, p. 3.

facilitate labor market transitions from job to job, from school to work, from unemployment to employment, from work to retirement, and so on during different stages of the worker's life cycle. Intermediaries are increasingly important to the process to help a person cope with multiple adaptations to change over a lifetime in a struggle for security in the midst of instability.

Maximizing Net Advantage in the Labor Market

One way of placing worker and employer decision-making into this labor market model is in terms of Adam Smith's concept of net advantage. Figure 1 illustrates elements of this process as the person and the employer weigh positive and negative factors about each opportunity. Both the person and employer want to maximize net advantage in their favor, but they assign different values or importance to each factor.

The person tends to examine opportunities in terms of three broad factors: (1) wages and benefits, or how much economic value a particular job offers through net income, travel time and cost, and the amount, form and frequency of wages and benefits; (2) conditions in the workplace such as pace of work, degree of individual autonomy, flexibility and variety on the job, quality of supervision, compatibility with associates and values of the firm; and (3) future job and career options which are likely to develop from present employment opportunities. Each factor is assessed in relation to personal values, career and life preferences, expectations of finding other employment with greater net advantages, and the search time and costs associated with finding such a "better" opportunity. Trade-offs are made among factors such as loss of autonomy for high pay or the promise of future gain for present low pay.

Figure 1

Elements of Maximizing Net Advantage in the Labor Market

FOR THE PERSON

Economic Incentives

Pay, benefits
Travel time, costs
Net return of job

Working Conditions

Entry level requirements
(knowledge, experience)
Pace, challenge, variety
of work tasks
Quality of supervision
Compatibility with asso-
ciates
Integrity of firm
Physical environment
(heat, noise, dust, etc.)
Value conflict re: job

Future Prospects

Career occupational goals
Leisure-time & life style
preferences
Mobility & access to
future opportunities
Resolving value conflicts

FOR THE EMPLOYER

Entry Level Requirements

Quality of labor vs.
level of pay
Behavioral work skills
Knowledge, experience
Training time, costs

Search Time, Costs

High talent vs.
reduced turnover
Specialization vs.
versatility
Access to labor supply
Ports of entry
Rules, mobility in
internal labor market

Net Return to Organization

Productivity & unit
labor costs
Compatibility with goals
of organization
Timing, readiness of
organization for
person

The employer likewise tries to maximize net advantage based on an interdependent series of criteria such as: (1) entry level requirements or hiring criteria for the job, including decisions about the quality of labor vs. the level of pay required, training investments which the individual brings to the job, and additional training time needed to bring a person to an acceptable level of performance on the job, (2) search time and costs, including whether to hire talented, mobile personnel or aim for a less mobile labor force which may be less talented, degree of specialization, and adjustments of ports of entry, hiring and screening criteria, and mobility avenues within the organization; and (3) net return to the organization. Employers combine these factors to arrive at decisions regarding how, when, and where to search the labor market --inside the organization (the internal labor market), outside (the external market), or both. This decision is based on an assessment of costs relative to benefits: recruitment, screening, time and cost to locate and make the person ready, access to persons in either the internal or external market who are ready for the particular job; and shop rules limiting ports of entry, mobility patterns, and access to other segments of the labor market. Each factor also has implications for the employer's use of labor market intermediaries and the time, costs, and benefits of using each.

The employer examines each candidate for a job in terms of that person's potential contribution to the welfare and productivity or performance of the organization; this is equally true for both the public and private sector. Each employer's objective is to find people who are qualified for competitive work both by their technical work skills and behavioral work skills (ability to perform on time, reliability, in the existing work situation).

While technical skills can be improved through employer investments in training, most organizations, public and private, expect workers to come to the employment equipped with social skills and attitudes which enable them to adapt to the employer's way of doing things. Whether behavioral or technical skills are involved, the employer is concerned about finding persons who can earn the costs of their employment (wages, benefits, other costs) immediately or very soon after being hired.*

Dimensions of the Intermediary Role

The goal of the labor market intermediary, therefore, is to improve the efficiency of labor market operations by shortening search time, reducing search costs, and increasing the quality of worker and employer choices. Intermediaries traditionally have addressed these objectives with four basic types of assistance: (1) improved access to labor supply and demand; (2) improved quality and access to labor market information; (3) special assistance to help people prepare for and adapt to job opportunities and labor market transitions; and (4) interpretation of and adaptation to imbalances in the interaction of labor supply, demand, information and price.

The Employment Service's labor exchange function as mandated in the Wagner-Peyser Act typically emphasized the first two types of assistance, but today the Employment Service performs and shares all four functions with a broad range of other labor market intermediaries. These intermediaries vary during the workers' life cycle and range from informal sources such as parents, peers, and unsolicited information received by media and rumor, to more formalized

* In the 1960s some efforts were made to cause the employer to adapt to the workforce, but few did. However, in the case of shortage and high talent occupations where recruiting costs are high and loss of talent costly, employers make considerable adaptation to the workforce.

sources of assistance specifically focused on job search such as public and private employment agencies. Figure 2 illustrates the range of intermediaries available to assist and influence the person at different stages in his or her life cycle.

Figure 3 suggests one way of arranging the sequence of tasks and functions of labor market intermediaries. The U.S. Employment Service has been assigned direct or indirect responsibility for each of these functions at different times in its history. While the public employment service began with a virtual monopoly on the labor exchange and labor market information functions, the gradual accumulation of additional roles for the public employment service has been paralleled by rapid growth of alternative, often competing sources of intermediary services in specialized areas. This shifting demand upon the public employment service for services has become a source of many stresses and inefficiencies in the federal-state system.

Specialization of Intermediary Tasks

An essential difference between the public employment service and private sector intermediaries such as private employment agencies, temporary help services, and corporate personnel staffs is their relationship to the public welfare in the face of costs which are unlikely to be recovered. Increased labor market complexity, modern technology, rising demands for training and faster obsolescence of skills have encouraged specialization on the demand side of the market. Private sector intermediaries tend to focus on specialized segments and functions within the labor market. Temporary help agencies address the clerical, industrial, technical/professional and manual labor markets; private employment agencies attempt to respond to particular needs of an employer or person as an

Intermediaries vary in the worker's life cycle.

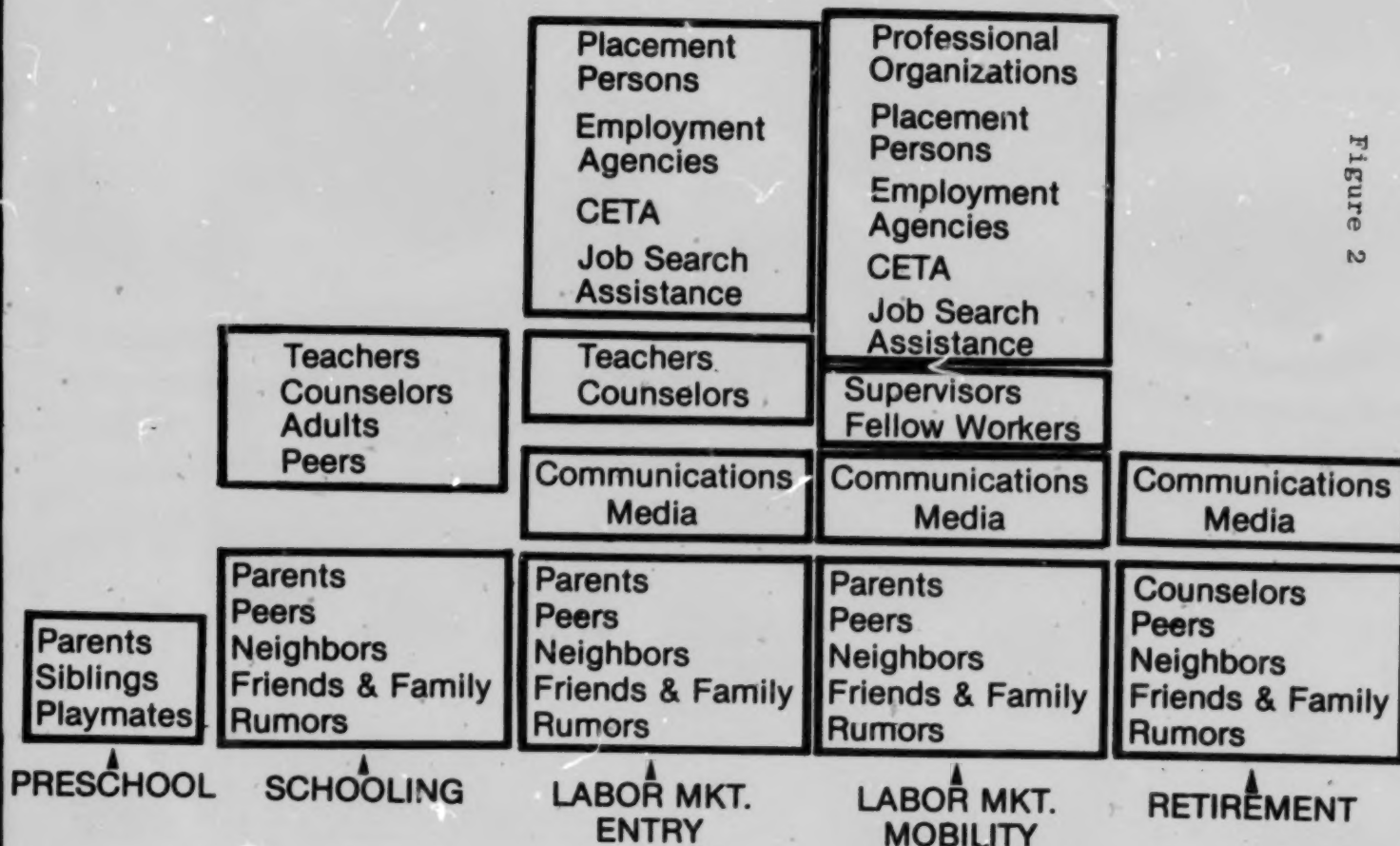


Figure 2

Figure 3

Functions of the Labor Market Intermediary

- I. Securing access to the labor supply.
- II. Securing access to the demand for labor, both present and anticipated.
- III. Establishing, on the basis of I and II above, the information needed to respond effectively to the needs of the person and the employer in the labor market. This includes compilation and sharing of:
 - A. External labor market information, or the first level of screening performed by the person and the employer on the basis of general factors such as aggregate demand, wages, working conditions, and requirements of a job in and among various geographic and occupational labor markets.
 - B. Internal labor market information, or the second level of screening performed by the person and the employer on the basis of detailed knowledge of the elements comprising the net advantage to each regarding a particular set of opportunities.
- IV. Providing access to and interpretation of information from III above, including knowledge of mobility channels and patterns facilitating labor market transitions throughout the life cycle.
- V. Organizing and/or mobilizing transitional services to help the person or employer prepare for and adapt to changes, including the capacity to diagnose and refer either to appropriate types of assistance. This function depends on communication and cooperative relationships among labor market intermediaries specializing in services required by a person or employer, such as training and education, legal or medical services, social and financial assistance, counseling, and so on.

Continued...

Figure 3 (continued)

- VI. Screening and referring people to jobs and transitional services. This function requires accurate knowledge and understanding of both person and employer requirements to recognize how to maximize net advantages for both; labor market intermediaries performing this function are often called on to mediate between the employer and the person any differences in their interpretation and use of information about supply, demand, price, and internal labor market conditions.
- VII. Maintaining contact with the person and employer to evaluate the effectiveness of steps I through VI above, develop new services responsive to gaps in existing information and transitional services, and provision of post-placement followup services for workers and employers as needed. This function includes the feedback mechanism which enables labor market intermediaries to determine the quality of their services, and to modify services as the needs of the economy change over time.

advocate of their clients, often limiting their services to a particular industry. Private vocational training schools combine these elements of specialization by focusing on particular technologies and an aggressive marketing approach to placing their students and graduates into jobs which help them build a network of employer relationships based on past referrals. Even some public sector intermediaries, such as community-based organizations, specialize in the dual functions of service and advocacy in behalf of persons with special employment problems; employers sometimes prefer to deal directly with such organizations to help meet affirmative action goals. Most intermediaries represented in this volume emerged from the need for a diverse range of labor market intermediaries to meet the needs of all employers and population groups.

An essential element of the Employment Service role as viewed in this inquiry is that specialization of functions among intermediaries compels awareness of the organizations in a community which are best prepared to perform specialized tasks. The labor market intermediaries best prepared to provide specialized services differ by sector, by characteristics of persons in the local labor supply, and by community, state, and region. It cannot be assumed, therefore, that any particular organization is an automatic presumptive deliverer of services described in Figure 3.

Orientation of Intermediaries to Specialized Tasks

Specialization is one of the factors which suggest the functions which an intermediary may be best prepared to deliver, but intermediaries attempting to perform the same tasks also differ in their orientation to persons and employers. Some intermediaries organize to monitor and respond to quantitative changes and imbalances in what may be described as a *market orientation*, while others focus on a *case orientation* organized around the qualitative elements of service and advocacy for particular persons and employers. While a market orientation is characterized by specialization of task performance, a case orientation requires both generalized knowledge and the capacity to manage, mobilize, organize and coordinate a variety of functions in behalf of a particular person or employer.

These two perspectives may lead to stress and some incompatibility for intermediaries with overlapping functions but using different orientations to meet the needs of individuals and employers. The orientation will suggest *how* an intermediary prepares for and performs tasks. Anderson describes this problem between the Employment Service and community based organizations during the 1960s

in terms of the conflict between the market orientation of the Employment Service and the case or client advocacy orientation of local community groups.*

The case orientation as an example builds on social welfare practice through mobilization and synthesis of resources to serve a particular person; this is likely to lead to specialized services for particular groups of clients. It also may lead to functional specialization of services directed to a given client group such as training or counseling for the handicapped, disadvantaged youth, persons with drug or alcohol abuse problems, in addition to special minority groups. Private employment agencies and some temporary help agencies, likewise, reflect a case orientation from the demand side of the labor market as they use an "account executive" approach to serve the specialized manpower needs of a particular industry, employer, or labor market.**

A market orientation, by contrast, is more likely to lead to emphasis on the needs and services required to serve a broader range of people and employers simultaneously. While the case orientation suggests a micro-level view, the market orientation incorporates macro-level strategies for coping with imbalances between sectors of local, state, or regional economies. The market orientation of the Bureau of Labor Statistics, for example, helps identify imbalances in larger labor markets, but its macro-level perspective when applied to the Employment Service tends to

* B.E. Anderson, "Community Based Organizations as Labor Market Intermediaries." Discussion draft prepared for the National Commission on Manpower Policy Conference on Labor Market Intermediaries, November 16-17, 1977.

** R.W. Glover and W.S. Franklin, "Hiring Halls as Labor Market Intermediaries." Discussion draft prepared for the National Commission on Manpower Policy Conference on Labor Market Intermediaries, November 16-17, 1977. Glover and Franklin offer an example of an intermediary emerging to cope with mutual problems of unions and employers under conditions of a "casual" labor market.

emphasize *quantity of services* (e.g., job placements) as the primary criterion of performance. The case orientation adds the dimension *quality of services* to performance evaluation, but also depends on awareness of and adaptation to the broad economic and social constraints influencing individuals and employers in the labor market. There is room and a need for *both* orientations among the network of intermediaries; problems typically arise when intermediaries from either orientation insist on operating in isolation from each other, for the success of each is reflected in the performance of the other. Orientation contributes to the criterion applied to an intermediary's performance by altering the client mix so that one group may be placed or served ahead of others. This is a matter of policy, but it also influences both performance and image of an intermediary. The intermediary is thus affected by societal or political preferences and priorities.

Economic and Political Factors Influencing Intermediaries

The roles and functions of labor market intermediaries are shaped by many elements which are not included in the traditional view of the labor exchange process. The first of these is the general health, character, and needs of a state, local, regional or national economy. During wartime and periods of sustained economic growth, intermediaries tend to find themselves coping with labor shortages. This may be especially true in dealing with "bottleneck occupations," or those occupational areas which constrict other employment opportunities because they are central to economic development and production increases. These occupations comprise the *critical mass of skilled manpower* upon which a broad range of other jobs may depend.

Recessions reflect a converse problem--a labor surplus for many occupations, concentrated especially among lesser-skilled workers. Actions to reduce or prevent severe economic hardship or provide aid in response to such problems when they occur are typically dependent on many elements of national fiscal and economic policy over which intermediaries at this time exercise little or no direct influence; they are a *reactive* element in the labor market and have little direct impact on the basic economic health of a state, region, or nation when major imbalances occur between labor supply, demand, and price.*

A second element influencing the intermediary is the political and philosophical climate which helps define how and where intermediary functions are to be performed. Anderson demonstrates the shift in social philosophy represented by the Community Action Program (CAP) of the 1960s when public policy stipulated that "the poor and disadvantaged should themselves be involved directly in the design and operation of community service programs at the local level."** Similarly, the Employment Service initially focused most of its services on labor exchange and job search assistance functions for experienced persons eligible for unemployment insurance (UI) benefits; this continued until the mid-1960s. The Employment Service mandate was then enlarged by the Human Resource Development (HRD) strategy to reach out to *all* persons in need of intermediary services. HRD was devised to aid such persons through a network of integrated, comprehensive services to be coordinated through the Employment Service, preferably in one location

* This is in contrast to the possibility of a pro-active policy which views manpower and economic policies as interdependent and mutually supportive. E.W. Bakke envisioned such a policy in his proposal for integration of employment and manpower services. See E.W. Bakke, A Positive Labor Market Policy. Columbus, O.: Charles E. Merrill, 1963.

** B.E. Anderson, op. cit., p. 6.

to increase access to an array of services responsive to individual client needs. By the early 1970s, however, political priorities had shifted away from HRD and services to hard-to-place persons and a return to greater emphasis upon experienced clients eligible for UI benefits.

A third element which shapes and frequently alters the functions of intermediaries in general and the Employment Service in particular arises from changing levels of commitment to a "full employment" policy. The legislative mandate to "promote maximum employment, production, and purchasing power" for all citizens had existed for nearly 20 years before the "War on Poverty" stimulated a panoply of social legislation which opened the way for community participation and experimentation intended to implement the promise of the Employment Act of 1946.* Even with the pressure of the Civil Rights Act of 1964 and both social and employment policy focusing on services to the disadvantaged unemployed, national policy commitments were insufficient to sustain this effort through the 1970s.

A fourth element influencing the role of intermediaries emerged from the arousal of community action programs and community based organizations during the 1960s. Many Employment Service functions were performed or attempted by CAP agencies, an experience which of necessity encouraged experiments in organizational linkages among intermediaries. Other governmental agencies captured the attention and imagination of CAP agencies under a social philosophy of local participation in program planning and decision-making. This mobilized a new constituency and

*A by-product of commitment to a full employment policy was rapid--overnight--obsolescence of personnel skills attuned to "screening out" inexperienced or marginally productive people. Employment policies of the 1960s called for intermediaries to "screen in" all persons, but especially those most in need of special assistance to get them ready for and promote their success in productive employment.

an array of new intermediaries for whom the case orientation and social values of human welfare were paramount. Placement records and strategies to reduce unemployment insurance costs to employers, which had been accepted as valid criteria for assessing intermediary performance in the past, were regarded as inadequate to meet the needs of those previously denied access to the services of major public intermediaries such as the Employment Service.

Transition and Adaptation vs. Temporary Holding Actions

Among the most complex issues of national employment policy is determination of the nature of services needed by those seeking help from the public employment service and other intermediaries to enable them to move from one condition to another--e.g., unemployment to employment, school to work, job to job. Each strategy for allocating public resources reflects a different approach to helping people complete successful labor market transitions. One common approach often used is to increase public works and public service employment temporarily until the private sector recovers and can re-employ the unemployed. The utility of this strategy, however, varies according to the experience and productivity of the workers it is designed to employ.

The limitation of such temporary "holding action" strategies is reflected in the difficulty of designing public service jobs which help the person prepare for, enter, and adapt to the requirements of competitive employment. This limitation becomes a still greater barrier to achievement of national employment policy as Congress calls for "full employment" strategies. The difficulty of meeting individual needs increases as intermediaries serve an increasingly disadvantaged, lesser-skilled population.

Services needed by the disadvantaged or non-job-ready person depend upon the concepts of labor market transition and adaptation. Traditional public works and public service employment strategies may be quite appropriate for persons with prior successful work experience, but such strategies are not always or even usually sufficient to meet the needs of less experienced, marginally productive workers. The disadvantaged or inexperienced worker needs a more comprehensive blend of services, beginning with accurate diagnosis and prescription of transitional intermediary services; their needs also may include basic skill training in addition to job-specific skill training, counseling and assistance to help them understand and adapt to the demands of work, and help for supervisors and organizations who employ them while they are learning to adapt. Placing such persons into temporary holding action types of employment does little to prepare them for success in either public or private sector jobs, and much evidence suggests that such strategies may even be harmful.*

A further complication in providing appropriate services to the inexperienced or marginally productive worker, especially for minority youth, is that labor market intermediaries who take on this task often know little or nothing about how internal labor markets actually operate in either public or private sector employment. This, in turn, leads to plans and programs based on expectations that do not comprehend work rules, mobility channels, ports of entry and behavioral requirements of actual employment. This can establish the basis for unsuccessful experiences; for the graduate of such a program often may be able to learn technical skills for a job but unable or unwilling to reach an accommodation

*The Carter administration policy of heavy reliance on the private sector to employ the disadvantaged person seems to assume that public sector experience will prepare the person for a successful transition to the private sector; this assumption remains to be tested: the jury is still out.

with the behavioral requirements of work, the demands of a supervisor or an employer, or customs and attitudes of fellow workers. Successful experiences depend on the ability of intermediaries to plan programs which help both the person and employer to adapt to each other's needs, and which help the individual confront reality in the plant or office with appropriate behavior.

Economic Development vs. Employment Policy

Contributing to the ambiguity of roles and functions of labor market intermediaries is the confusion of strategies designed to aid economic development and, indirectly, increase employment, in contrast to policies focused on direct services to the unemployed. Economic development strategies are designed to improve the amount, quality, and diversity of employment opportunities in geographic labor markets, but such policies can seldom be implemented solely on the basis of the experience and qualifications of unemployed persons in a community, metropolitan area, state or region.

Economic development strategies usually include accumulation and development of a *critical mass of skills, talent, leadership and capital* (both public and private) around which employment which requires less skill can be generated. The ultimate objective of economic development strategies is to enlarge the employment base of a region.* Recent regional economic development trends have featured the comparative advantages of an area and its labor force to create nodules of economic growth composed of recreation, retirement and vacation markets, small business development in particular economic sectors, concentrations of educational

*As large cities lose their populations they also lose a portion of the high skills upon which economic health depends; thus there is a critical need to replace these skills as part of any strategy to halt or reverse a decline.

resources, decentralization of production of large industries both foreign and domestic, and federal expenditures for defense and administrative services. Such nodules add to the primary employment core of an economy and spur creation of complementary nodules and jobs. Economic development, however, typically requires *active leadership* in planning for and encouraging economic growth and increasing total demand for labor; this is out of character for many intermediaries who are accustomed to reacting to change, not creating it.

By contrast, intermediaries typically are instruments of employment policy. Job development, for example, tends to focus on finding existing employment opportunities rather than helping to create new ones; placement functions often result only in reallocation of job scarcity among persons in the labor force. Employment policy focuses on strategies which tend to be limited by their dependence upon existing or short-term, status quo demand for labor. These are *passive, reactive* strategies such as transfer payments to sustain income, training to refurbish or upgrade skills of persons whose prior training is obsolete, and job search assistance to reduce search time and unemployment insurance costs.

Employment strategies may conflict with the goals and requirements of economic development in ways that add to the stress placed upon intermediaries. Economic development initially relies on the comparative advantages offered by the *most* productive persons in a local labor market, while employment policy typically includes some of the least productive workers. Economic development initially offers incentives to attract employers to a region by reducing the costs of finding and training a productive labor force; employment policy attempts to cope with problems which may discourage employers to enter an area, especially when it is believed that the number of

inexperienced or marginally productive workers in a local labor market is growing. Even those unemployed persons who are experienced and productive contribute disincentives to employers who wish to minimize unemployment insurance costs by locating in labor markets with lower UI costs.

THE PAST

Having attempted to place intermediaries into a somewhat more comprehensive framework and examined some of the issues facing the public employment service, it may be helpful to look briefly at the history of government participation in labor market intermediation for further guidance. The Employment Service, as an instrument of the Congress and the largest, most experienced public sector intermediary, has been assigned special responsibility to serve the national interest by maximizing human welfare while addressing the needs of the economy as a whole rather than focusing narrowly on the interests of employers (the demand side) or workers (the supply side) at the expense of the other. Access to one requires understanding and responsiveness to the needs of the other; the fundamental task of the intermediary--to facilitate labor market transitions--often depends upon mediating differences and imbalances among elements of the labor market.

A final note may help set the stage for the historical review which follows. The U.S. Employment Service, especially as reflected in its network of state and local offices, has never been able to perform its intermediary functions in isolation from other elements of the labor market. Perhaps the most important change in the intermediary role of the Employment Service since passage of the Wagner-Peyser Act of 1933, however, has been the tremendous growth of other intermediaries who have intervened to share the burden of coping with increasing complexity in the economy and the labor market. The Employment Service mandates

from Congress reflect the need to work cooperatively with other intermediaries through differentiation of three levels of authority in government participation in the intermediation process: (1) direct authority and responsibility for determining policy and delivering some services; (2) indirect authority through funding, technical assistance, evaluation and supportive roles or incentives; and (3) support and advisory influence with no authority over policy or delivery of specific services.* There is no evidence that Congress has ever intended the Employment Service to attempt to cope with all dimensions of the role of labor market intermediaries alone.

Antecedents of the Public Employment Service

Government participation in the intermediary functions was not an element of early American economic policy at all. Since the first reported study of poor relief in New York City was completed in 1909, federal and state interest in aiding the unemployed has vacillated in inverse relation to the health of the economy. The poor and unemployed were held accountable for their plight in the belief that "misery is ordained to be the companion and punishment of vice."**

The first attempt to reflect any empathy for the condition of the unemployed emerged from the first comprehensive survey of poor relief in the U.S. completed in 1823 under the direction of New York's Secretary of State,

* E.W. Bakke, op. cit., p. 156.

** This view that the poor and unemployed deserve their plight still persists among many persons today. The notion that the disadvantaged prefer not to work is often substituted for understanding of the facts of a welfare system which, for some, makes it uneconomical to work once the added costs of holding a job are taken into account. For a more detailed view of the early history of government participation, see F.R. Bruel's chapter, "Early History of Aid to the Unemployed in the U.S." in In Aid of the Unemployed, J.R. Becker, ed. Baltimore: John Hopkins Press, 1965, pp. 6-21.

J.V.N. Yates. He offered the then unpopular view that poor relief is a "necessary and proper function of government as part of humane, liberal, enlightened policy," and that services to the poor should include education for their children and useful work for themselves. The unemployed, however, remained dependent primarily on the private generosity of *ad hoc* relief committees which collected and disbursed local funds to the poor. Such efforts were limited, however, by the widespread belief that assistance encouraged idleness and destroyed character.

Changes in this puritanical attitude toward the unemployed came slowly. The recessions of 1837 and 1854-1855 spurred creation of *ad hoc* relief committees, but the recession of 1857-1858 did not inspire the creation of public support for the poor. This led to a significant step toward future national policy regarding the unemployed when they organized to conduct mass meetings and marches in protest of their predicament. This caused what may be the first attempt to use public works as a temporary remedy for hiring the unemployed; a project to make improvements in New York City's Central Park was initiated, but the economic crisis ended before legal and administrative problems were resolved and 1,000 workers could be hired.

The depression of 1873 saw little change from the response of pre-Civil War economic crises, but by the turn of the century two major social changes had begun to emerge. The Ohio legislature created the first state-supported public employment exchange in 1892; Seattle was next with the first municipally initiated and managed office in 1894, and New York and Illinois soon followed. Fifteen public offices were open by 1900; they grew to 64 by 1912, and the depression of 1914-1915 spurred rapid expansion to 109 state and local offices.

Meanwhile, organized labor and the Progressive reform movement had begun to challenge the puritanical tenets of

classical economy theory and social Darwinism. Most industrial states had enacted workman's compensation laws by 1914, and many were beginning to provide relief support to the blind and to mothers with young children as special classes of the poor.

Another major conceptual shift in attitude toward the government's role in the labor exchange process was spurred by World War I. President Wilson ordered creation of the first federal-state network of public Employment Service offices in 1916 to mobilize civilian labor for the war effort. Prior to WWI, the only federal employment offices were 18 operated by the Bureau of Immigration; by 1918 the Secretary of Labor controlled a national network of 850 local Employment Services offices. But the end of the war signaled a return to local and state responsibility for funding and operation of these offices. This network was virtually dormant through the 1920s, and only during World War II was the system refederalized again in response to a need for centralization of authority during the war.

Responding to a National Economic Crisis

The persistent mass unemployment of the Great Depression of the 1930s demonstrated that neither the private sector nor the *ad hoc* state employment services were adequately prepared to meet the severe unemployment crisis of a prolonged economic depression. Two major developments brought on the larger federal intermediary role called for in the Wagner-Peyser Act of 1933. First, the massiveness of persistent unemployment convinced the nation that the older "solutions" were inadequate; by 1932, more than 12 million persons, or nearly 25 percent of the nation's labor force, were unemployed, and the problem was still growing. Second, the persistence and severity of the economic crisis provided the time to plan and implement

large-scale public works projects as holding actions for the skilled unemployed, and temporary youth employment programs administered by the Departments of Agriculture and Interior.

The Wagner-Peyser Act represented a policy shift in the labor market intermediary role of government emerging from the 1930s, namely that the federal government assumed responsibility for continuous funding and coordination of a state-administered network of local offices to serve the unemployed. U.S.E.S. was recreated within the Labor Department as a system of indirectly controlled local labor exchanges through which national re-employment policy could be implemented. The public Employment Service became an organizing mechanism to facilitate matching people and jobs for veterans, the handicapped, and the unemployed. This federal-state-local system was assigned several intermediary functions, with primary emphasis on registration, screening, and placement, initially into federally funded New Deal public works projects such as the C.C.C., the W.P.A., and the P.W.A.,* and later into private sector employment as the economy gradually improved. For the first time government became a source of emergency employment as an instrument of national policy; implementation of that policy required a labor exchange mechanism through which job applicants could be registered, screened, and placed quickly and efficiently.

The Social Security Act of 1935 removed the public ES from the Labor Department (to which it returned after World War II) in the final conceptual shift regarding the federal role in the labor exchange process during the 1930s: creation of an unemployment insurance (UI) system funded by

*The Civilian Conservation Corps, Works Progress Administration, and Public Works Administration were similar in approach to the goals of some of today's strategies through public service and public works employment and the Young Adult Conservation Corps created by the new Youth Employment and Training Act of 1977.

an employment tax levied against employers. Employment Service functions were merged with UI to combine registration and placement under Wagner-Peyser with determination of eligibility for UI benefits through administration of a "work test." This step defined the target population and limited the range of intermediary functions performed by the public service for nearly 30 years. Eligibility for UI was limited to persons with previous successful competitive private sector employment; a person was "vested" in the social security system on the basis of his or her contribution to the productivity of the private sector labor market.

This link with UI effectively narrowed the Employment Service intermediary role to reduction of search time and search costs by "screening out" non-UI-eligible applicants. Employers' best interests were served by specialization in screening and placing the UI-eligible person as quickly as possible to minimize employers' UI costs. On the other hand, such referrals often were stigmatized as less worthy, less experienced, or less qualified in an economic and social system that valued "making it on one's own" as a measure of personal character and strength. Such thinking denies the realities of imbalances on the demand side of the labor market, but the systematic exclusion of non-UI-eligible persons from the services of the publicly funded labor exchange survived until well after WW II in most of the nation.

The Employment Service did take on an additional function of the labor market intermediary soon after adoption of the Wagner-Peyser Act in 1933--that of improving the quality of labor market information and the tools to facilitate screening and placement of applicants. The Dictionary of Occupational Titles and a broad range of testing and counseling resources emerged among the major early achievements of the federal-state system.

By the time World War II forced refederalization in 1942 in an effort to centralize mobilization of the civilian labor force for another war effort, the concepts supporting government participation in the labor exchange process were firmly established as part of national economic and employment policy.

Setting Priorities for a Post-War Economy

The end of World War II left Congress and the American people sensitive to the problems of widespread unemployment, but hopeful that private sector expansion could lead the nation into a period of sustained economic growth. The Employment Act of 1946 reflected this orientation in national economic policy with its promise of "full employment" without provision for a comprehensive program of services prerequisite for implementation of such an objective. The public Employment Service entered a period of *de facto* manpower policy as the federalized system of local offices was returned to the control of the states; each element of the nation's employment policy was merely added to the roles and functions already allocated to the federal-state-local network of Employment Service offices without careful examination of the implications of these additions in terms of either national economic policy or previously allocated elements of the intermediary function.

This pattern was not altered by the Employment Act of 1946, which directed the Employment Service role toward provision of a labor exchange designed to specialize in services to three groups: (1) disabled WW II veterans; (2) able-bodied veterans; and (3) other unemployed, UI-eligible persons. The 1950s also saw some governors issuing executive orders against racial discrimination, but these efforts to serve new clientele often led to employer suspicion of Employment Service referrals. The continuing link with UI offered employers an incentive to

use the Employment Service to screen out marginal workers, but the service had little success in its limited efforts to change societal discrimination in the workplace.* Employer support continued primarily on the basis of interest in minimizing UI and employer search costs by shortening job search time for job-ready workers.

Another factor which sustained interest in the Employment Service was a recurrent pattern of post-war recessions in 1949, 1954, 1958, and 1960-61. The recessions of the 1950s reached some higher-skilled sectors of the labor force, leading to creation of a professional office referral network to help skilled workers find employment. The early 1950s also saw ES continuing to benefit from its WW II experience in helping employers cope with skill shortages. Gradually, however, employers began to build up their own personnel functions within their firms. Another gradual change evolving from the economic growth of the 1950s included the emergence of a stronger, more competitive new resource to help people and employers with job search assistance: the private for-profit employment agency. As both employers' own personnel functions and private employment agencies "creamed" the best workers off the top of the queue, the Employment Service began to add services to groups with special employment problems (e.g., youth, Indians, older workers and minorities) to its "primary" labor market intermediary function as a labor exchange. These shifts did not appear at the same time throughout the system of 1,900 local offices, however. In most smaller labor markets, public Employment Services were the "only game in town" and were able to build and maintain positive, complementary relationships with the major

* The subtleties of institutional discrimination in internal labor markets influencing factors such as promotion and pay are illustrated in a study by F.H. Cassell, S.M. Director, and S.I. Doctors entitled, "Discrimination Within Internal Labor Markets," Industrial Relations, Vol. 14, No. 3, October 1975, pp. 337-344.

employers of their regions. These same offices often benefitted from the fact that they typically served a more homogenous population, freeing them of some of the stigma of offices in major urban areas where societal prejudice sustained resistance among employers to hire minorities referred by the Employment Service.

From Labor Exchange to Comprehensive Service

The next major development in the use of the Employment Service as an instrument of National Policy emerged from changes in national leadership as the nation recovered from the recession of 1960-61. One of the changes was a commitment to restoration of the nation's technological superiority in space exploration and military weaponry which set off a flurry of activity on the college campuses, increased school enrollments in various technological fields, and in the process accelerated change in the nation's occupational mix away from the unskilled and semi-skilled to the highly skilled and knowledge-based occupations.

This occurred at a time of the parallel emergence of the Civil Rights movement which made people aware of long established patterns of discrimination which screened racial minorities out of a broad range of the best jobs and opportunities. But automation had been declared the villain in creating unemployment; initial policies to ameliorate unemployment were based upon this assumption, rather than upon discrimination.

What emerged was in effect a *de facto* manpower policy which was aimed at fulfilling the promise of the Employment Act of 1946. It began with the Area Redevelopment Act of 1961, which was designed to bring jobs to people in areas of high unemployment. The following year the Manpower Development and Training Act (M.D.T.A.) was passed; it focused on retraining people who had been displaced from their jobs

by changing technology; later the focus shifted to unemployed youth--especially disadvantaged inner-city youth--and toward the end of the 1960s shortage of "bottleneck" occupations were added to the list of tasks to be solved by M.D.T.A.

Experience under these Acts highlighted the need to reduce structural impediments or market imperfections which prevented people from moving to or into jobs and jobs from moving to people. The initial emphasis which continues even today was on altering the character of the supply side of the market. Only later were tentative moves made to influence the demand side of the market to make the barriers to employment less restrictive.

Of greater long range impact on the labor market perhaps were the Economic Opportunity Act and the Civil Rights Act, both passed in 1964. The former led to experimentation in the 1960s with decentralization of manpower programs; decentralization and decategorization of programs was written into the legislation of the Comprehensive Employment and Training Act of 1973. The latter resulted in structural and organizational rearrangements of internal labor markets to extend equal opportunity to women and minorities.

Over the latter period, from the late 1960s to the present, the imbalance between the skills required in the market and those possessed by persons newly entering or reentering the labor market, especially youth, increased. This, together with three recessions, one of substantial proportion, unleashed criticism of public policy and institutions operating at the front line. Decentralization made institutions even more accessible to complaint and in a way more responsive within the limits of national economic policy. This experience highlighted the need for a linkage between employment policy and economic policy to secure a reinforcing effect or complementarity

rather than what actually existed, namely policies which often were in opposition to one another.

Decentralization did not emerge full blown overnight. As early as 1964 an inter-agency Committee on Education was established to coordinate programs; efforts were made to link vocational education and the Employment Service; arrangements were worked out to bridge the gap from the individual to the employer through the Concentrated Employment Program and by 1968 decentralization of some planning functions to the states had occurred.

Throughout this period the number of Employment Service tasks increased, often without additional funding. Increasing emphasis was placed upon moving the disadvantaged into employment. New relationships with new and often competitive organizations were established, administration became more complex as more intermediaries entered the picture, and new concepts of moving people into jobs developed as more difficult cases were handled, as the variety of clients increased ranging from welfare mothers under the WIN program to unemployed executives, and as the accumulating functions shifted the Employment Service from a simple labor exchange to a comprehensive service operating under a *de facto* manpower policy.

The entire package of services was wrapped up in an administrative strategy entitled the Human Resources Development Program (HRD), which was designed to rationalize Employment Service relationships with a variety of programs including the Job Corps, New Careers, the Work Incentive Program, Neighborhood Youth Corps, and the National Alliance of Business Jobs Opportunities in the Business Sector (JOBS).

Many of the emerging agencies were community based, staffed by persons whose clientele and personal experience led them to adopt the case method of operations in contrast to the functional specialization and market orientation of

the Employment Service. This posed understandable administrative conflicts, differences in handling clients, and frustrations for both the community based agencies and the Employment Service. Complicating cooperative arrangements was a widespread feeling among community based agencies and their clients that "the establishment" was the source of all their problems, and that the Employment Service represented the establishment. Employment Service personnel accustomed to the pressures from employers as well as individuals saw things differently and, they believed, more realistically.

Many of these attitudes continue to exist among CETA prime sponsors, possibly because some community action people of the 1960s have found a new home in CETA, and possibly because the Employment Service may not, in reality, fulfill the needs of the disadvantaged.

HRD required the Employment Service to "screen in" --diagnose, refer, and place persons who needed special help to get ready for competitive employment. The program introduced a complex range of services from basic learning skills to remedial health aid needed to "screen in" people. This was in contrast to all previous experience of "establishment" intermediaries, both public and private, who had been schooled to "screen out" people. This latter was an infinitely simpler task, for the difficult cases were left to somebody else or for that matter to nobody. Industrial training programs were attuned to the people who got through the screen, not to the people who needed help getting through it. Employment Service experience mainly had been with persons who had demonstrated they could hold a job; not with those who had failed repeatedly to even pass the screen let alone succeed on the job.

It turned out that coordinating a program to aid people to enter the system rather than to keep them out

was an infinitely more difficult administrative task than had been anticipated, and that indeed some version of the case system was needed to followup and assure progress through the intermediate steps on the way to a job, and even while on the job. Even more difficult was the long ingrained practice of industry to require that people adapt to it rather than the other way around. Even after ten years of employer experience with JOBS few employers have come to accept the need for some degree of adaptation of management to new people who come to the job with a culture different from theirs.

The HRD program well understood these realities and therefore its strategy was designed to get people ready for work *before* attempting to place them with employers, and to reduce the cost and time of training to the employer. Associated with this concept was the comprehensive services approach of the late 1960s which consisted of the one-stop manpower service center to get a person ready. Several of these centers were established and showed promise, but cost prevented their growth and expansion, though smaller models still exist today in some places.

Coping with Conflicting Objectives

Perhaps the most dramatic example of conflicting objectives is that of the returning Viet Nam veteran. Their plight was complicated by a recession, attitudes of a nation weary of war, and fading idealism of many persons respecting Civil Rights. Employment Service intermediaries who worked with veterans were confronted not only with a declining economy but with indifference toward the Viet Nam veteran and a lack of skills and resources to bridge the attitudinal gaps which often existed among veteran, the employer, and the intermediary.

An executive order was issued in 1970 which called for mandatory listing of jobs with the Employment Service

and special preference given veterans seeking job search assistance. Many veterans were poorly prepared for competitive employment. Some employers resented mandatory listing and complied only to protect access to government contracts. Compliance often meant listing jobs, but not serious consideration of the veteran, and intermediaries were often not equipped to bridge the gap between the veterans and the employer.

This experience reflected a trend of events since 1961 which ultimately associated the Employment Service in the minds of employers with those most in need of help. Thus government intervention on behalf of the disadvantaged led in many states to a declining pattern of placement rates--an especially threatening dilemma since allocation of funds was and is still tied to placement rates. A heightened concern for the cost of aiding the disadvantaged, together with a felt need to rebuild the image of the Employment Service, led to a policy shift in the early 1970s which returned the service to its role as a labor exchange accompanied quite naturally by emphasis upon placement rates. This again altered the character of the clientele and the nature of the services provided by the Employment Service. It did not however change the need; and since the need remained another invention was required. It came in the form of the Comprehensive Employment and Training Act (CETA).

Decentralization and Diffusion of Authority

Developing in parallel to the shift in Employment Service emphasis was the search for means to improve the planning and delivery of services at the community level. The search culminated in the passage of CETA in 1973. It is currently composed of some 450 prime sponsors, each of whom has authority to allocate funds, determine local priorities, and administer programs. In the process the

Employment Service became an alternate source of intermediary services rather than a primary source of job placement and referral assistance. Many prime sponsors selected the Employment Service; others reduced Employment Service involvement; and still others created competing services.

This shift concealed subtle stresses. Few CETA employees were aware of past Employment Service market performance. Employment Service personnel often preferred to leave the difficult task of placing the disadvantaged in jobs to CETA rather than harm their image with employers further. The Employment Service, which had developed functional specialization to a high degree over nearly 45 years, operates from a perspective quite different from most CETA staff, which tend to be case oriented. This results in conflict over "turf" and organization and control of action. This is heightened by the adversary perspective each has of the other, handed down perhaps from the Community Action Program (CAP) days of the 1960s. The Employment Service, preoccupied with both sides of the labor market and concerned especially about preserving demand and job openings, views CETA as something of a complicating factor in the picture and not fully cognizant of the requirements of the employer or the problems of overall loss of placements as employers are pressed to hire disadvantaged or non-qualified workers. In short they have tended to view each other as competitors rather than as complementary agencies.

The public Employment Service, therefore, operates in a highly competitive environment peopled by an array of intermediaries unlike that into which it came in 1933. Employment and career expectations are quite different, the job mix has changed, people work in different places than they did, move around more, and manpower is now looked upon as a national resource in a competitive world. The notion of full employment has been introduced and recent

legislation suggests that manpower planning may become an integral part of future indications of policy. Entitlement to a job is increasingly a matter of interest and discussion and is likely to be an influence in future policies. The labor exchange function, though useful and needed, has been overtaken by the needs of a labor market which is simply too complex to assure that any single intermediary can efficiently respond to the variety of demands made upon the system; a labor exchange can no longer by itself serve economic and social needs of the nation.

Emerging from this brief account of the past and present roles of the Employment Service is the imperative of intermediary collaboration to complement each other's efforts and link them into a meaningful series of services which lead to employment or a career. Intermediary specialization has increased rapidly to enable transition functions such as learning skills, skill acquisition, work environment readiness, and acquisition of survival skills to be efficiently related to the needs of each individual. Specialization, however, requires coordination and follow-up, and is useful only if there is someone, a supervisor, to assure proper and timely use of services. The future of the Employment Service is therefore likely to lie with its ability to reach beyond the labor exchange role to accommodate these changes, to comprehend national and regional labor markets which are outside the range of local intermediaries, to mobilize and synthesize the efforts of a diverse, interdependent, pluralistic, and often competitive network of labor market intermediaries.

THE FUTURE

A major implication of competition in the labor exchange intermediary function is the fact that performed as a specialization, the supply of persons and agencies is very

large; it offers opportunity for gain such as control of resources, status, or money without commitment of large amounts of capital. Coordinating the specializations, however, organizing them in meaningful ways, assuring results is an immensely more complex and expensive task which requires different and scarcer skills and knowledge and organization that can encompass a variety of labor markets and relationships described earlier in this paper. There are fewer people and fewer organizations which can efficiently perform this administrative function.

The message for the Employment Service is that its natural strength is geographical coverage, experience, administrative skills which can bring intermediaries together to build on their strengths. The Employment Service can enable linkages to be forged and should be secure enough to provide leadership which encourages pluralism and innovation. Its weakness could be an unwillingness to accept the fact that the world has changed and that a return to the past, though satisfying to one's feelings of nostalgia, is likely to be brief and unlikely to be rewarding, for the world continues to move on.

This is not to suggest that the Employment Service abandon its labor exchange function; it remains a critical element in its operation. However, specialization by client group (e.g., community organizations, veterans, handicapped) or by occupation (as reflected in the private employment agencies and temporary help services) needs to be viewed in light of complementarity and efficiency of performance of intermediaries. The Employment Service may be ideally situated to help synthesize a comprehensive and pluralistic system as its primary contribution to the labor market of the 1980s and beyond.

A function which the Employment Service can uniquely perform is the provision of a broad range of labor market information both by itself and in conjunction with the

Bureau of Labor Statistics and other information producing organizations. There are major gaps in local market information, both as to specific pieces of information and quality. This needs to be remedied in order to help individuals and intermediaries to improve the quality of their labor market decisions.

Brief as the above examples are of what might be possible in the future, they suggest a basis for an Employment Service for the 1980s. It is not enough to mandate by legislation or executive order that a particular role should be assumed; it is always easier to write objectives than to achieve them. The ultimate role and leadership will be decided according to the capacity of intermediaries--including the Employment Service--to contribute to the employment goals of a community, state, or region.

The outcome is likely to be a network of job search assistance and related intermediary services. The critical issue is, however, whether the Employment Service will continue to be funded primarily on the basis of placements, or on performance criteria which take into account a range of functions desired to be performed as a matter of public policy such as coordinating intermediaries and provision of labor market information to mention but two.

Both the authors of this paper and Mills* arrive at the same implication of what they have seen and experienced, namely that the Employment Service labor market intermediaries need to enlarge their understanding sufficiently to encompass the capacities and potential contributions of *all* intermediaries rather than to narrowly focus on its own role alone.

The possibilities for intermediaries to view their role from a larger perspective--and indeed to come together to make a larger contribution than that suggested by competition and even conflict among intermediaries--is

*D.Q. Mills, "Labor Market Intermediaries: An Overview."

highlighted by studies of linkage between the Employment Service and CETA.* This experience suggests that:

1. Financial incentives can be devised and used successfully to encourage local groups to construct and maintain effective networks of intermediary functions, including ES.
2. Despite problems of bureaucracy reaching upward through the state, regional, and national office levels, diverse agencies are capable of working together to serve people effectively.
3. The demand side of the market is invariably underrepresented in both community and state level groups and consortia, and among the case oriented social welfare organizations attempting to help people get ready for and adapt to the demands of competitive employment.
4. A remarkably high level of poor information about access to help and resources exists among those most in need of help (the labor supply) and many of those intermediaries attempting to provide such assistance.

This study, which covered most of the prime sponsors of the mid-western states together with selected states from the south, southwest, and east, suggests the next steps toward linking national policy and local needs: linking employment policy and economic policy, and organizing intermediaries around community or regional efforts to achieve both enlargement of the supply of jobs through economic development and more efficient operation of the local labor market.

This larger perspective consists of six elements:

*Many of these problems of "turf" and "linkage" still have not been resolved, as reflected in a recent study of barriers to cooperation and communication between CETA prime sponsors, the Employment Service, and a broad range of welfare and social service agencies attempting to reach overlapping (though not identical) target populations. See F.H. Cassell, et al., Intergovernmental Linkage Models. Evanston, Ill.: Northwestern University Graduate School of Management under contract to U.S. Dept. of Labor, Region V (Chicago), 1976.

1. Linkage of *de facto* manpower policy to planning and goal establishment envisaged by Humphrey-Hawkins* and proposed welfare reform as well as to the variations in fiscal and monetary policy and the various phases of the business cycle.

2. Distinguish at the community and regional levels between efficient operation of the labor market (job development and allocation of jobs) and economic development which provides the basis for job expansion.

The Employment Service could envision joining with education, training, economic development of the state or region, and the private sector in a leadership role aimed at enlarging and diversifying the employment base rather than limiting operations to the allocation of scarcity (of jobs). Aggressive efforts and leadership at this level could provide an important piece of the planning base needed by Humphrey-Hawkins and might be one of the "keys"--an operational arm--to the achievement of full employment.

Critical to Employment Service performance at this level is the ability to provide useful manpower information and analytical talent to complement the efforts of other participants in the labor market, especially those concerned with economic development at the state and regional levels, including potential employers. This would include especially information to aid school people, parents, students, employers, and public officials in planning for the future. The role would include finally and especially linkage with other labor markets and with programs and program needs at the national level. Thus both economic development and efficient operation of the labor market can become mutually reinforcing at the regional and community levels, supportive of national policies, as well as a recipient of assistance from other areas and regions in placement of persons outside the area, a function long performed by the Employment Service but which could be developed further.

*Full Employment and Balanced Growth Act, H.R. 50.

3. Establishment of performance criteria which includes efficiency of transactions taken under the labor exchange concept and the planning and economic development functions mentioned in points one and two above. Such criteria need to be thought of at two levels: effectiveness in responding to local needs, and effectiveness in helping achieve regional or national goals. Performance would be measured by both the qualitative and quantitative aspects of transactions and other efforts to fulfill established goals.

4. Provision of rewards-incentives for experimentation and performance related to the criteria discussed in points three above. This would include a search for new mechanisms and strategies to improve performance of all labor market intermediaries, including those of the Employment Service. Rewards might be geared at the national level to effectiveness in integrating employment and economic policies; at the state level to contributions of the Employment Service to economic and job growth at the community and regional levels; and locally to the leadership exerted in encouraging other intermediaries in the labor market first, to improve the quality of their services, and second, to create and sustain a mutually reinforcing and complementary network of intermediaries together with strategies to cope with complexity and reduce barriers to communication and productivity.

5. Maintenance of a unified manpower entity in the Labor Department which provides the necessary support to various manpower intermediaries at the state and community levels including the Employment Service, CETA and other manpower units of the Labor Department; preservation of its overall position which enables it to evaluate performance and allocate rewards among intermediaries to encourage linkage and coordination at the local and regional levels. Such an entity would of course be even more effective were manpower intermediaries located in other departments linked in close association with the Employment Service and CETA and covered by similar performance criteria and rewards.

Essentially this design suggests that while planning may exist at the national level supported by the strongest of mandates, it is local and regional operations that give the planning and policies life. The thrust, therefore, should be to strengthen the local level through a system of mutual support which benefits the nation as a whole and also fulfills the particular needs of the local community or region.

The national role, then, needs to include four components: (1) linkage of employment policy with economic and social policy; (2) allocation of resources to facilitate and aid local economic and employment development in terms of national policy; (3) *proactive* forecasting and planning, including responsibility for a national network of local, state, and regional labor market information essential for intermediaries and planners at each level of public and private sector decisionmaking; and (4) evaluation of performance, with recognition of the need to maintain flexibility sufficient to allow for selection and implementation of local strategies responsive to local needs.

6. Adoption of a proactive stance which makes the Employment Service an involved partner in economic policy at both the local and federal levels. This could include, at the federal level, active manpower policies designed to contribute to job creation and economic growth; targeting resources to combat skill obsolescence, occupational shortages, unemployment and crime; collaborating with other agencies and sectors to achieve educational policies which provide retraining and career guidance to prevent obsolescence while the individual is at work; support of contracyclical efforts to stimulate economic recovery through the recruiting and development of skills needed at critical phases of the effort.

At the state level the proactive stance of the Employment Service could include recognition and response to a need for interdependence of the public and private sectors in securing arrangements to achieve economic growth and job creation; focusing on providing the critical mass of skills needed to produce economic "growth nodules" by attracting industry through the comparative advantage of the workforce among other assets of the area; using the period of unemployment compensation to provide refresher training as well as opportunity to explore new skills and careers; synchronizing Employment Service activities with educational planning, CETA, welfare and income maintenance

programs, and business and economic development departments of the states to plan ahead to prevent decline, to halt population and skill loss, and in many cases to reverse negative social and economic trends.

At the community level, the Employment Service could go beyond the usual labor exchange function to provide professional assistance including labor market information disaggregated to fulfill the needs of the community, aid in producing community resource inventories, economic development, monitoring labor market conditions including identifying skill shortages; aiding people to adapt to changes in the occupational mix of the community or region; building an information base which helps to attract business and government to the community; cooperating with other community agencies and organizations to remove structural barriers to employment and job opportunity; providing data to intermediaries in the community who are concerned with pre-school children, the period of being in school, persons ready to enter the labor market, persons already in the labor market and the period of retirement.

In short, the possibility exists for the Employment Service to aid the cities, states and the nation to increase their ability to maximize employment opportunities for their labor forces, and to help improve the preparation, adaptability, and mobility of people in the labor force to respond effectively and in a timely manner to continuously changing labor market conditions and employment opportunities. The change in posture being suggested is the difference between being staff on a "don't call me, I'll call you" basis and taking an active, integral part in shaping and implementing future labor market policy and operations.

V. THE BRITISH PUBLIC EMPLOYMENT SERVICE

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THE BRITISH PUBLIC EMPLOYMENT SERVICE

Introduction

The British Government has operated a public employment service through a network of employment exchanges since 1910. From those early days the service suffered from the reluctance of many employers to use it for filling their vacancies. Apart from the period during and after the Second World War there has not been any compulsion on employers to notify their job vacancies. The service therefore came to be associated with unskilled unemployed (predominantly manual) workers and others who, for a variety of reasons, were hard to place in work. There was grave dissatisfaction among employers at the calibre of the candidates submitted.

This poor public image was reinforced by the fact that many of the employment offices were outdated and poorly sited and by the 1960s had acquired an old-fashioned institutional atmosphere, accentuated by the fact that employment exchanges had responsibility for the payment of unemployment benefits.

The deficiencies could only be remedied by a fundamental reshaping of the public employment service which would restore public confidence and halt the vicious circle of decline.

In 1971 the plans for the modernization of the service were published. The main elements were:

- (a) establishing a new management structure with greater authority and accountability vested in management at all levels;
- (b) separation of employment service work from payment of unemployment benefit;
- (c) introduction of a new network of offices located, furnished and designed to encourage employers and workers to use them;
- (d) provision of better trained and qualified staff in employment offices;
- (e) greater attention to identifying and meeting employers' needs;
- (f) introduction of an effective specialized service for recruiting professional and executive staff.

Management in the Employment Service

Up to the early 1970s the central management of the Employment Service had been fragmented, with different parts of the Department of Employment responsible for policy, staff and premises. The modernization plan envisaged the development of the Employment Service as a "departmental agency" - a self-managing unit within the DE, headed by a chief executive with direct and personal responsibility for its management.

However, plans for a departmental agency were modified as a consequence of the Government's decision to set up a Manpower Services Commission, formally independent of the Department of Employment, though funded by a Grant-in-Aid from the DE vote, to direct

and co-ordinate the work of the public employment services and the various government sponsored training services. The Commission was to consist of a full-time independent chairman and 9 part-time members - three representing the unions, three the employers, and three the local government and educational interests - thus recognizing the need to secure the involvement and participation of the two sides of industry (and others) in the control of the services provided by the government for their benefit. The actual operation of the services was to be placed in the hands of two executive agencies - The Employment Service Agency and the Training Services Agency (TSA) - which would be subject to the financial control of, and had to have their forward plans approved by, the Commission which is in turn accountable to the Secretary of State for Employment, (and, now in Scotland and Wales to the Secretaries of State for Scotland and Wales). The Government's decision was enacted by the Employment and Training Act 1973 and the MSC came into existence in July 1974. In April the Training Services Agency was brought under the Commission's supervision followed in October 1974 by the Employment Service Agency.

In the period of rapid change and development since early 1974 the two Agencies have achieved a significant impact in the labor market and established a strong identity as vigorous and purposeful organizations. At the same time, the Commission itself has become recognized - both by Government, employers' organizations and trade unions - as the spearhead of a more active national manpower policy. A review of these developments carried out in the first half of 1977 led to the conclusion that, in the longer term, a single unitary Manpower Services organization (with

divisions responsible respectively for employment, training and special services) would provide a sounder basis for managing the national manpower services. Under the re-organization plans now being implemented, the ESA and TSA will therefore lose their separate legal identity and become the employment and training directorates of a unified MSC. For convenience, however this note will continue to refer to the ESA as distinct from the MSC.

In 1977/78 the ESA has a ceiling of 15,454 staff and estimated net expenditure of 149.4m.

The Agency's work is divided, for planning and budgeting purposes, into five main programs with net expenditure and staffing as follows:

<u>Program</u>	<u>Net expenditure</u> <u>m</u>	<u>Average staff</u>
1. Meeting Labor Market Needs. (Placing Services General, Services to Disabled people, Services to Training, Occupational Guidance, Geographical Mobility, Statistics and Manpower Intelligence).	100.0	12,975
2. Professional and Executive Recruitment	2.8	755
3. Meeting the Rehabilitation Needs of Individuals (incl. Employment Rehabilitation Centers)	11.2	857
4. Directing the Agency (Head Office Support, External Research, Occupational Information)	6.2	817
5. Sheltered Employment	28.3	40

The Agency is organized in 18 areas, each under an Area Manager responsible to an operational director at Head Office.

The Jobcenter Program

The ESA operates through a network of 1,000 local employment offices, which not only offer an employment brokerage service but are the "front line" of the MSC - the local outlet for information on MSC services and initiatives, including youth programs, training opportunities, services for the disabled, and services to aid geographical mobility.

As a central part of the plan to modernize the public employment service, it was decided to replace old style offices by modern Jobcenters. The Jobcenter service has been carefully and purposively developed to meet the needs of the labor market by bringing together the ESA's local services in a way which is administratively practical and operationally efficient as well as attractive and convenient to the public. The Jobcenters are well-designed modern informal offices located in the busy parts of towns. They are staffed by trained employment advisers and offer a distinctive three-tier service on the following lines:

- (i) The first tier is the self service in which vacancies are displayed so that jobseekers can choose jobs for themselves quickly and simply.
- (ii) In the second tier the jobseeker may seek an interview with a specially trained employment adviser who can provide advice to both jobseekers and employers on the state of the local employment market. He will advise the jobseeker on suitable job opportunities and may place him in employment or refer him to one of the third tier services for more detailed assessment and guidance. A specialist counselling and placing service is available for disabled people.

- (iii) The third tier services include occupational guidance for those about to embark on a career or those older people considering a change in career, and specialist advice on training opportunities run by the Training Services Agency.

Tiers two and three of the service emphasize that the role of the public employment service is more than simple brokerage: it should seek to help individuals improve and make better use of their abilities and potential thereby improving the quality of the labor force - something no other recruitment agency deliberately sets out to do.

Within each tier of the service there is also scope for variation or specialization in particular occupations, e.g. clerks, typists, nurses, or in particular industries e.g. hotel and catering, depending on the local employment situation.

In the past four years 330 Jobcenters have been opened, replacing old-style offices; they now account for about half of ESA's business. The rehousing program should near completion by about 1983.

Jobcenter evaluation

Because Jobcenters are central to the modernization of the adult public employment service, the importance of assessing their impact led the ESA to set up a number of evaluation projects in the early days of the program. The main results show that compared with the old style employment offices:

- (i) 20% more employers notify their vacancies to Jobcenters.
- (ii) 25% more people looking for jobs use Jobcenters.

- (iii) 30% - 40% more placings are achieved through the new service.
- (iv) Jobcenters fill 10% more of the vacancies notified to them.

These increases have been spread across all broad occupational groups and age groups but they are most marked in retail, commercial and clerical occupations. The Jobcenters have also proved very effective in attracting women jobseekers, and people who are already employed. They are also faster at filling vacancies than the old-style offices. A survey conducted in 1977 showed that of those manual vacancies filled by Jobcenters, 69% are filled in the first week compared with 46% by other methods (private agencies, newspapers, trade journals etc.) while for non-manual vacancies filled Jobcenters employ slightly more staff than the employment offices which they replace, and are on more expensive sites. However, the increase in activity generated by the new offices, accompanied by a vigorous marketing campaign to promote the Jobcenter service especially to employers, is such that the average cost of a placing is slightly less than a restructured employment office (i.e., an employment office offering the same range of services as a Jobcenter) and compares very favorably with private agency charges.

The CAPITAL Project

A second important aspect of the modernization program is the increasing use of telecommunications in the larger conurbations to increase the spread of flow of vacancy information and improve the quality of matching. There are various systems in operation, the most sophisticated of which is the CAPITAL project (Computer Assisted Placing in the Areas of London) currently being used in 15 Employment Offices and Jobcenters in a pilot area of North East London which deals with over 6,000 jobseeker

applications and 3,500 vacancies per month.

The system, which is served by a powerful central computer configuration linked to each office by dedicated Post Office lines, is designed to:

- circulate job vacancy information and cancellations to all linked offices within seconds of receipt from the employer,
- match jobseeker and job vacancy details automatically and continuously,
- permit centralized job vacancy notification from employers,
- provide statistics for governmental and management purposes, while restricting access to confidential and personal information to authorized users only.

The system should among other things significantly speed up the filling of vacancies in London's complex labor market. If evaluation of the system confirms the expected benefits, the system will be extended to the rest of London and introduced in other major conurbations.

Professional and Executive Recruitment

In the early 1970's research was commissioned on the Professional and Executive Register - that section of the Employment Service dealing with professional, managerial, scientific and technical posts - which showed that managers were ready to make much greater use of a restyled service and to pay a reasonable fee for suitable people recruited through it. In view of the costs involved in running such a service on a free basis it was decided to establish a fee charging service for this segment of ESA's business.

Professional and Executive Recruitment was set up in 1972 as an independent fee-charging agency within the ESA, the director of PER reporting directly to the Chief Executive of the ESA. The service operates through a net work of 36 offices on the basis of two centralized computer registers containing essential matching details of jobseekers and vacancies. Supplementing this basic selection service are an advertising service and a consultancy and interviewing service. The normal fees charged by PER range from 10% to 12% of salary for successful placing (depending on the type of service used) which compares favorably with private consultancies and agencies.

Since its introduction, PER has been operating in adverse labor market conditions. This is shown by the imbalance between enrollments of candidates (197,000 in 1976/77) and notified vacancies (28,500 in 1976/77). In 1976/77 PER achieved 8,900 placings which, while a small share of the market, makes PER the largest executive recruitment agency in the UK. Despite the adverse trading conditions, PER has reduced its commercial deficit from over £1m in 1974/5 to less than £0.4m in 1976/77. It is intended to eliminate the deficit by 1979/80.

In addition to its commercial recruitment service, PER provides social and supportive services for unemployed jobseekers including seminars on jobhunting techniques and recruitment for training schemes run by the Training Services Agency. The cost of these services is met by a social subvention to PER.

Services to disabled people

The Disablement Resettlement Service: The Employment Service Agency's 500 Disablement Resettlement Officers based in Jobcenters and employment offices, advise and assist

disabled people to find the most suitable jobs and advise employers on employing disabled people to their full potential. As well as administering the quota scheme, under the Disabled Persons (Employment) Act, which requires employers to include a percentage of registered disabled people among their workforce, the ESA encourages employers to adopt a positive approach to the employment of the disabled. In its work, the Agency is aided by the National Advisory Council for Employment of Disabled People (NACEDP).

The Employment Rehabilitation Service: Through the network of 26 Employment Rehabilitation centers, the ESA helps to prepare people after injury, illness or long unemployment to enter or re-enter employment. With individually tailored courses, the centers allow the rehabilitees to adapt gradually to normal work conditions while the type of work for which they are best suited is assessed. The ESA also provides financial support for courses conducted by voluntary bodies.

Sheltered employment: It is the aim of the ESA to ensure, by means of financial support to approved organizations, the provision of facilities to enable seriously disabled people to work under sheltered conditions which come as close as possible to ordinary working conditions, and to help them, where practical, to overcome their disabilities sufficiently to take their place in open employment.

The future of the Employment Service

In 1976/77 the Employment Service Agency took 5.5 million registrations, received 2.1 million notifications of vacancies and placed 1.5 million people

in employment. A recent survey commissioned by the Agency suggests that ESA's placing penetration (placings as a percentage of engagements in the labor market) excluding PER has risen from 16% in 1973 to 18% in 1976; the penetration rate in the non-manual field excluding PER appears to have risen from 6% to 11% and in the manual field from 20% to 22%. It is the aim of the Agency to increase its overall penetration to 20% by 1980. By increasing its penetration the Agency expects not only to help a larger proportion of its customers find suitable work (or workers) but also to improve the quality of its matching and to improve its information base and play a larger part in restructuring the labor market. This increase has been in a large part attributable to the new Jobcenters which has not only changed the image of the service but also facilitated the rationalization of the office network to serve communities more effectively.

Other wide ranging plans for the future of the service include:

- (a) the provision of specialist services for those with special employment needs - inner cities, longterm unemployed, ethnic minorities etc.
- (b) improved services for the disabled with an increasing orientation towards employers.
- (c) improved Information Services through the Careers and Occupational Information Center and experimenting with the provision of additional facilities in Jobcenters to make information more readily available to the public.

Internally the Agency is seeking to increase its efficiency by developing an integrated management information system:

- (a) The computerization of unemployment and operating statistics, releasing more staff to concentrate on ESA's services,
- (b) The computerized Financial and Management Accounting System providing line management with information on expenditure within their area of responsibility is already operating and will be further developed. The FMAS is potentially a powerful management tool which will provide the means of improving financial control beyond that generally experienced in the public service.

To sum up, the main emphasis in the British Employment Service over the next few years is likely to be on carrying through to completion the ambitious modernization program launched in 1973 and in integrating the employment service rather more closely into a unitary Manpower Services Commission.

VI. THE ROLE OF HELP WANTED ADS

PREPARED BY

MIRIAM JOHNSON

OVERVIEW

A reader wrote a letter to the Washington Post asking why there was high unemployment "at a time when employers are running yards of help wanted ads in most newspapers, including this one."^{1/} Because the Washington Post considered it a serious question, it responded with an editorial on December 20, 1976, suggesting that the jobs advertised in its columns require skills, "beginning with accountants and ending with X-ray technicians," with little to offer people in the category of highest unemployment--the young people with little training and less experience. The editorial went on to suggest that Americans are increasingly inclined to be selective and take their time in finding work that is best suited to their tastes and abilities.

The same incredulity as expressed by the writer to the Post can be found in the stream of letters addressed to Congressmen--which usually appear on the desks of Department of Labor technicians to answer--raising grave doubts about the accuracy of the published unemployment figures, or questioning the work ethics of the unemployed, and the clincher argument offered is the visible presence of what the writer assumes to be pages upon pages of job vacancies listed by the employers for jobs in the very community where the writer lives. Want ads, and faith in their ability to trace the shape of the iceberg underneath, make economists and labor market analysts out of everybody.

Historically, want ads have influenced public policy. For example, not too many years ago--in the early 1960's--policy planners argued for the passage of the Manpower Development and Training Act by waving the burgeoning want ad section at their audience while noting the unemployment rates and the high volume of applicants registered in the employment service offices. This contrast was evidence of the technological upheaval in the country that was creating jobs in occupations unheard of a few years before and, at the same time, throwing people with obsolete skills into the unemployment insurance lines.

^{1/} Editorial, "Seven Million Unemployed," Washington Post, December 20, 1976.

Help wanted ads are the most visible expression of local and national labor demand, a concentrated source of economic information available to any interested element of society. They are the most effective tool for those employers who want to maximize the public broadcast of their job opportunities, for nominal costs, and they are the most accessible source of specific job opening information for the job seeker. Though the degree of such influence is unknown, there is little doubt that the morning coffee scan of the help wanted columns may determine what wage an employer will offer for a new job, may induce or deter a homemaker, long absent from the job market, to return to work, may influence the vocational direction of a newly graduated 18-year-old or affect the choice of residence in which a family settles, and want ads surely affect the decision of employed workers about remaining at work or changing jobs. In short, though unmeasured, it can be assumed that, to the degree that individuals or institutions make decisions based on labor market information, to the degree that such information is perceived as accurate and comprehensive, to that degree help wanted ads both reflect and have impact upon the workings of the labor market.

A number of questions arise. What do want ads tell us about the state of the economy in general and about the state of the labor market in particular? To what degree are they useful to individuals and to institutions, to those who need workers and to those who need work? Are they more useful in some occupational fields than in others, and if they are, what is revealed by such discrete utility? Do want ads provide adequate data upon which to base public policy? Can program planners use want ads as a reliable guide for determining occupational training needs in a local market? Finally, should there be a public policy with respect to want ads, and if there should, what sort of policy would be appropriate?

This paper will distill the findings from various studies that enlighten us about the role played by the want ad sections of the daily commercial papers in the local labor market. Excluded from consideration of impact are those publications or advertisements serving a national market or non-daily, neighborhood, ethnic, professional, or specialized publications.^{2/} The discussion will cover the nature of this intermediary,

^{2/} A sampling of these smaller, non-daily publications indicates that the volume of want ads in all of them combined is less than five percent of the volume in the daily commercial press in an area.

its ability to reflect market trends, the composition of want ad sections, the content of the ads, the characteristics of employers and job seekers who use ads, and the degree to which they are successful.

The two want ad studies with which the writer has been intimately involved are the source of much of the material used in this paper. Other sources will be noted. The first^{3/} examines the Sunday editions, quarterly, for a five year period from 1968 through 1972, of two newspapers: the San Francisco Examiner-Chronicle and the Salt Lake City Tribune. Two employer surveys were conducted, one of a representative random sample of employers in both cities, and the other of a selected sample of employer users who had advertised job openings within a given period. Surveys of job seekers on the employment service premises were conducted in both cities. This study will be referred to as the Two-City Study. The second study^{4/} compares help wanted ads to the public employment service job orders in 12 labor market areas. This will be referred to as the Two-Medium Study. Listings in 705 editions of 19 newspapers were analyzed by occupation, industry, location of job, and advertiser. The Sunday editions closest to the end of the month were analyzed for 12 consecutive months, beginning with June, 1974 and ending in May, 1975, which provided a series of snapshots of the stock of opportunities available. The flow of new jobs available each day for a one-month period provided a moving picture of jobs coming into and out of public view. A sub-study identified employers who used both want ads and the public employment service during the test month and compared the sequence, the duration and the occupational differences in each. The data base consisted of document analysis exclusively.

The first study included listings by private employment agencies. The second study counted but did not incorporate private employment agency listings into the basic files. The measuring unit was occupational listings-- job orders in the employment service and occupations listed within ads. Though neither represents job openings, the term "jobs" is used for the sake of facility. Though most ads are for a single job title, 100 ads

3/ John Walsh, Miriam Johnson, Marged Sugarman, Help Wanted: Case Studies of Classified Ads, Olympus Publishing Co., Salt Lake City, Utah, 1975.

4/ The Comparative Labor Market Role of Newspaper Help Wanted Ads and Public Employment Service Job Listings, Olympus Research Centers, Salt Lake City and San Francisco, January, 1977.

produce 113 job titles or listings, and in the Employment Service, 100 orders produce approximately 190 openings, on the average.

THE TYPE OF INTERMEDIARY

Labor exchange intermediaries perform a number of functions which include the dissemination or broadcast of job vacancy information, the mediation or brokering activity leading to a match between worker and employer, and the allocation and distribution of work to individuals within a specific job preserve. Most of the formal mechanisms perform some part of or all such activities, to a greater or lesser degree. However, the function of help wanted ads is entirely limited to that of broadcaster or disseminator of vacancy information. This limitation has an important bearing on a view of want ads, especially as compared to other market intermediaries.

The want ad section of a newspaper rents space to an employer or other advertiser somewhat like the owner of a farmers' market rents stalls to farmers. The owner insures certain services and space, and also has rules for use. But, essentially, each stall occupier decides how to display the goods, what to sell, and for what price. Buyer and seller negotiate directly with one another and the owner has no function other than to fill all the spaces. The act of selling the newspaper to the reader/job seeker is, in fact, selling labor market information to an indiscriminate supply of potential workers. Any reader in any occupation, with English literacy, is a potential user of that labor market information. However, unlike other intermediaries, the newspaper assumes no responsibility beyond the display of the ad. Aside from differences that are dependent upon the space the advertiser is willing to rent, and for how long, all ads are accorded the same treatment by the intermediary.

In contrast to other intermediaries, whose rewards stem from making a successful match, the newspaper is rewarded in proportion to the volume of labor market information received, on the one hand, and the degree to which that information is disseminated through the sale of the newspaper, on the other. Organizationally, the structure of the newspaper reflects this division between the two sides of the labor market, as contrasted with the broker model where both sides of the market are, perforce, dealt

with by the same entity. The classified ad section deals with the employer only, and the job seeker, as a member of the public, is the concern of the circulation department. The "sales" efforts--to increase revenue for either--is unrelated to the labor exchange process.

For the employer, a want ad in a daily paper offers a labor exchange service for uninhibited use of any industrial enterprise, seven days a week. It is a formal recruitment channel for the employer requiring a deliberate act with a cash outlay, however nominal. For the reader, however, the perusal of the want ad section is an informal activity which, in itself, does not distinguish the job seeker from the casual shopper. The disappearance of the ad from the newspaper columns does not speak to the disposition of the vacancy. The job could still be unfilled. It only denotes the end of the advertiser's contract period. Conversely, there are firms who run continuous ads for workers. Moreover, jobs may be filled on the first day of the contract, but, nevertheless, continue to appear--as many job seekers have discovered. The average duration of ads is three to five days.

WANT ADS AND THE STATE OF THE ECONOMY

A number of research efforts have been made to test the feasibility of using help wanted ads as a surrogate for the ever-elusive job vacancy information and as an indicator of skill shortage occupations. Generally, these have been unsuccessful for a number of reasons, among which are the following: it is not possible to determine the number of openings from the want ads because multiple openings are usually indicated by the use of a plural.^{5/} Also, the same ad may be duplicated in more than one newspaper and, even within the same paper, and the same job is often advertised by the employer and by each of several private employment agencies where the order was placed. Because this is such a common practice, jobs listed by private agencies are simply unusable as measures of job vacancies since there is no way to eliminate duplications. Furthermore, the placement of

^{5/} In the Two-City Study, it was found that the successful ads appearing to be for a single opening actually produced 1.1 hires. Plural or multiple occupation ads generated 3 hires per ad in San Francisco and 6.6 hires in Salt Lake City.

the ad does not necessarily coincide with the time of the vacancy. Approximately 15 percent of the employer users stated that they place a want ad to test the market in anticipation of openings, 64 percent place ads at the time the vacancy occurs, and 21 percent place an ad only as a last resort, after other recruitment efforts had failed.

The Conference Board (CB) converts a count of the number of help wanted ads in major newspapers in 51 metropolitan areas to an index, using the 1967 daily average as its base. It then combines the indices for individual newspapers, using as a weight the percentage of the nation's non-agricultural employment accounted for by each labor market area represented in the sample. The CB index makes no pretense at counting jobs, nor does it distinguish by type of advertisers or by occupations. It counts only the volume of advertisements placed in the help wanted section. The 51 metropolitan areas in the sample account for more than 50 percent of the nation's nonagricultural employment. In January, 1977, the volume of ads in the CB series was approximately one million. In high volume months--March and September--this might increase by as much as 20 percent, while in December, the lowest month, it may drop by 40 percent to 600,000 ads.

Though the geographic areas in the CB series represent over 50 percent of the nation's labor markets, the volume of ads included in the sample represents considerably less than 50 percent of the ad volume in the entire country at any given time. In the CB sample, each of the metropolitan areas is represented by only one major newspaper, whereas a great number of both major and minor big city and small town papers may be published in and around the area. The fact is that there does not appear to be any source from which to obtain an estimate of want ad volume nationally, though other types of measurements such as lineage may be made.

The CB index has clearly established over a number of years that ads move inversely but in close conformity to the nation's unemployment rates and are a "coincident indicator" of general business activity. The series is published monthly in Business Cycle Development. Further insight into want ad sensitivity to unemployment rates emerged from the two want ad studies. A major recession began during the progress of the Two-Medium Study and the precipitous drop in want ad volume starkly demonstrated the vulnerability of want ads to the economic environment. In the Two-City Study, the want ad section was analyzed by the three major revenue sources--

employers, private agencies, and display ads placed by national advertising firms--and measured by both ad volume and inches of space over the five year study period, each variable then being compared to unemployment rates. Overall, the pattern conformed to the CB index. However, one element--the number of ads placed by private employment agencies--was almost completely impervious to changes in economic conditions. On the other hand, the number of inches used by private agencies in the San Francisco paper was the most sensitive variable of all. This is understandable considering the fact that most private employment agencies reduce their advertising costs by entering into a yearly contract with the classified ad section, giving assurance of minimum usage. If the agency stays in business, it continues to advertise its existence without regard to economic conditions, thus maintaining the same ad count, but reacts to high unemployment by reducing the size of its display ad. It is unfortunate that the CB index is burdened with an unresponsive element.

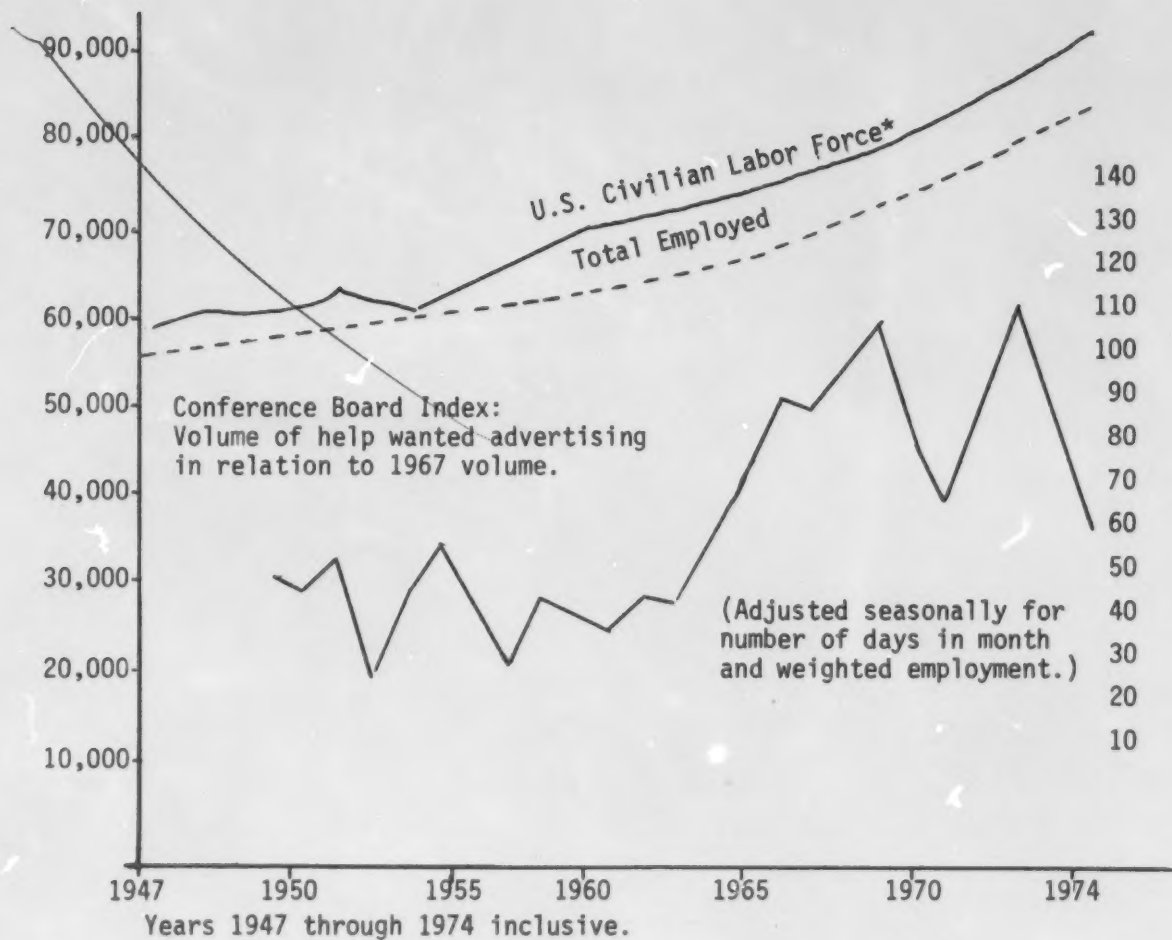
A study conducted in 1965 tested the feasibility of using want ads to measure or predict job vacancies by occupation in a given area, but it proved to be largely unsuccessful.^{6/} It showed that indices of help wanted ads might, at best, be a possible indicator only of the direction of change in number of job vacancies.

In a 1966 study, the historic development of want ads was examined^{7/} and it was noted that "help wanted ads fail to display any long term upward trend since 1919." Figure 1 provides an updated picture of the path of the CB index in relation to the growth in the U.S. civilian labor force and total employed in the post-war era. The graph shows a 53 percent increase in total employed during the period. While the trend of the CB index between 1951 and 1963 was fairly flat, as described by Ms. Boschan, it turned sharply upward in 1964, possibly indicating that the growth in volume of help wanted advertising is reflective of labor market expansion, though this is somewhat obscured by strong cyclical fluctuations. At least some

6/ John G. Myers and Daniel Creamer, Measuring Job Vacancies: A Feasibility Study in the Rochester, New York Area. Studies in Business Economics, Number 97.

7/ Charlotte Boschan, "Job Openings and Help Wanted Advertising as Measures of Cyclical Fluctuations in Unfilled Demand for Labor," in The Measurement and Interpretation of Job Vacancies: A Conference Report of the National Bureau of Economic Research, New York: Columbia University Press, 1966. p. 492.

Figure 1. Conference Board Index of Help Wanted Advertising
Compared to Civilian Labor Force and Total Employment



*Employment and labor force in thousands.

of the volume increase must be attributed to the enormous growth of the private employment agency industry during that time. The number of individuals employed by the private employment agency industry in the nation tripled, between 1964 and 1974.

Another factor influencing the increase in count of ads in recent years reflects changes in newspaper policies regarding the treatment of private agency advertising which was occurring during that period. Whereas agencies had generally been confined to display ads under a blanket "Employment Agencies" heading, the removal of sex headings prompted the industry to insist that they no longer be so restricted. Since this industry is a major revenue source for the classifieds, more and more newspapers began to accede to this demand. The agencies were permitted to list individual jobs in separate non-display ads and to intersperse these ads among the regular employer-placed ads, thus markedly increasing the total ad count. The impact of this change can be seen in the ad count of the Salt Lake City Tribune where the policy became effective in 1971. In 1968, private agency ads accounted for six percent of the total; in 1969, 6.3 percent; in 1970, 9.1 percent; but in 1971, this jumped to 15.1 percent and in 1972, agency ads accounted for 24 percent of the total. An examination of the telephone directories showed that the increase was not so much generated by the growth of new agencies in Salt Lake City as it was by the change in policy. The new policy may have increased the revenue of the newspaper but its certain consequence was the greater domination of the want ad section by private employment agencies, and a lessened ability of the job seeker to distinguish between advertisers, despite the regulations in many states requiring that agency ads be so designated.

COMPOSITION OF WANT AD SECTION

Like the Washington Post correspondent, most people unthinkingly assume that each ad appearing in the paper represents a different employer advertising a different job opening in the local market. However, when the ad section is analyzed, it becomes plain that the columns include a wide variety of material and are not necessarily dominated by local employers trying to fill local jobs. In fact, not only are ads the chief publicity arm for the employment broker industry, but the Sunday space is used as a

major national and regional market recruiting tool. Moreover, a relatively small group of heavy-user employers account for an uncommonly high proportion of the ads that appear.

Space and ad count. One-third of the space in the Sunday editions of the major metropolitan papers is taken up with display ads of private employment agencies, and one-third is used for display ads by national advertising firms recruiting for mainly high-skill, technical jobs in major firms outside of the area. Only one-third of the space is devoted to employer-placed ads, a large portion of which are also outside of the area.^{8/} In terms of ad count, an analysis of over 204,000 ads in the Two-Medium Study found that nearly 20 percent were placed by private employment agencies, and six percent advertised earning or training opportunities that were, in fact, not "jobs" (armed forces recruitment, investments required, training school advertisements). Of the employer placed ads for jobs, nearly 12 percent were for jobs outside of the Standard Metropolitan Statistical Area or the location could not be determined. In examining the flow of new listings during the one-month test period, 33 percent of the ads were eliminated because they were duplicates of ads appearing the day before. In all, a job seeker scanning the daily and Sunday papers every day for one month who (a) did not want to move from the area, and (b) did not want to risk the payment of a fee to a private agency, would find that only 30 percent of the scrutinized ads represented new jobs in the local labor market advertised by an employer. For each job seen on the first day of the job search, the job seeker would be exposed to 4.2 new listings in the remaining editions of the month.

Heavy users. There is considerable evidence that a relatively small group of employers account for a disproportionate share of the ad volume. In the Two-City Study, 16 percent of all employers were found to be multiple ad users, but they were responsible for over 38 percent of all employer-placed ads. Though the multi-ad users averaged over three ads each the distribution was widely dispersed. In fact, only 27 (1.5%) of the employers

^{8/} These estimates are based on physical measurements of many Sunday editions of the San Francisco Examiner-Chronicler only. However, classified ad managers of other major metropolitan newspapers made similar estimates of Sunday space use in their own papers.

generated 206 (11.5%) of the ads. In the Two-Medium Study, the matching of the two files discloses that those employers who also placed jobs with the employment service during the same period--referred to as multi-mechanism or common employers--generated an average of 3.6 listings in the want ads each compared to exclusive want ad users who generated only 1.7 listings each. Ten percent of the heaviest users placed 45 percent of the listings that appeared in the multi-mechanism employer file. Apparently there is a relatively small group of employers who use the two public intermediaries heavily and frequently as the chief recruitment sources for their work force. During the test month, want ads penetrated only 7 percent of all the employing units in the study areas.

INSIDE THE WANT AD

The newspaper retains the prerogative of determining the organization of the want ad section and where an ad appears--whether under an occupational heading, alphabetically by the first word in the script, or by ad size. However, within the confines of the ad, the advertiser controls the content, subject to the conditions set by the particular newspaper. Though the Association of Newspaper Classified Advertising Managers has sponsored "Guidelines to Standards of Acceptance for Classified Advertising," the standards are only suggested and newspapers vary widely in their acceptance of them. Some papers exercise no control and impose no rules on the advertiser while others insist on a considerable degree of precision including a requirement for an occupational title at the beginning of every ad, the inclusion of the word "sales" if there is a sales element and a description of the type of pay (commission only, wages, etc.).

Listings by occupation. Want ads are generally regarded as a white-collar recruitment mechanism. In fact, the professional/technical/managerial, clerical, and sales jobs constituted slightly less than half of the flow of jobs, with over 15 percent in each of the three categories (clerical, 17.7%). The largest occupational group is the service category with over 25 percent of the listings. The six blue-collar and farm occupational groups accounted for 23 percent of the listings, the largest being structural occupations at 7 percent. Over 3 percent of the listings could not be identified occupationally.

A finer breakdown reveals more specifically the concentrations of high-volume occupations which dominate the want ads. For example, over 40 percent of the listings in the service category are in the restaurant occupations (waiter, waitress, cook, kitchen helper, etc.) and over 22 percent are for domestic service. In the professions, nearly 50 percent of the jobs are for health occupations (mainly nurses and dental assistants) while 35 percent are for engineers. Technical and managerial listings are predominantly for administrative specialities (accountants, administrator, NEC) and managers. Of all occupations in the technical and managerial category, "manager trainee" has the highest volume. Several classified ad managers commented that this particular job title is generally suspect in the want ad industry, and is often used to glamorize or obscure the actual tasks of a job which may be straight clerical or sales.

Among clerical jobs, almost three-quarters are in the steno, typing, computing, and accounting field. As stated previously, all of the blue-collar and farm occupations constitute only 23 percent of the total listings. A quarter of these are in the machine trades, among which auto and truck mechanic appears in particularly high volume; over 30 percent are structural jobs heavily dominated by handymen and miscellaneous construction occupations, and more than one-third are miscellaneous occupations with service station attendant and warehousemen heavily in evidence.

Of the 15 percent which are for sales jobs, nearly one-quarter are service sales (real estate, and insurance). Generally, pay for such jobs is by commission only as it is for telephone solicitors--also a high volume category. Approximately 20 percent of the ads for sales jobs do not indicate the product to be sold, despite the fact that some newspapers have a policy that requires the advertiser to define the method of compensation--salary or commission--the name of the company and the product to be sold. Most frequently these no-product advertisements are commission only sales opportunities with no specifications, and no experience requirement, and the ad script is often devoted to extensive verbiage "selling the job." A few newspapers attempt to contain the gradiloquent rhetoric, ("Make \$20,000 the first year, from your home, no experience necessary"), insisting upon a more cautious range of possible earnings. However, this type of advertising is virtually uncontrolled except to the degree that the Federal Trade Commission pursues dubious business practices such as "pyramid selling."

The inexperienced job seeker is an easy target for such "dreams of glory" ads. A number of classified ad managers expressed considerable concern that such ads serve to disguise possible investment requirements. In their view, such advertising does not belong in "help wanted" but should, instead, be listed under "Business Opportunities" or "Franchises."

Listings by industry. The inability to identify the industrial source of 27 percent of want ad listings creates a data gap of enough magnitude to weaken any analysis. However, in the Two-Medium Study, it was possible to identify the industry of nearly all of one sub-group. The multi-employer file--those employers who used both want ads and the public employment service--provides some insight into the industrial base of employers who are uncommonly heavy users of want ads. The file identifies 685 employers, by industry, of which 34 percent are in the service sector, 26 percent are in retail trade and nearly 15 percent are manufacturers. Though this defines employers rather than listings, it does verify the industrial distribution of all the want ad listings to the degree that these three industries--service, retail trade, and manufacturing--generated the highest volume and in the same ranked order in the flow file.

The following two-digit industrial designations account for the greatest volume producing over 40 percent of all the listings, including those unidentified industrially: bars and restaurants; health services; private households; business services; auto dealers and gas stations; hotels and motels; real estate; personal services; miscellaneous retailers; and insurance companies. It is possible that these emerge in such high volume because they are more easily identified from the ad.

Missing data. The ability of a job seeker to make a rational decision and to reduce the time and cost of job search is dependent upon the accuracy and completeness of pertinent job-related information. It is the ambiguity of such information in want ads that also bedevils labor market research. For example, in over 50 percent of the employer-placed ads, the employer's name is not given. However, the telephone number and/or the name is provided in over 90 percent of the ads. Three percent require written responses to newspaper box numbers with no other identifying information. The occupation could not be discerned in over three percent of the listings. As previously stated, 27 percent lacked enough information to determine the

industrial activity of the advertiser, and the product to be sold was not disclosed for 20 percent of the sales jobs. No wage information was offered in over 85 percent of the employer-placed ads. The location of the job was not given or could not be surmised in over 5 percent of the listings. The inexperienced worker, who is also an inexperienced reader and interpreter of help wanted ads, would have difficulty distinguishing between those jobs that require experience or education and those that do not since over two-thirds of the listings had no explicit experience or educational specifications. Those that specifically state "no experience" were mostly for commission-only sales jobs. Jobs listed in employment agencies' display ads usually provide wage information and occupation, but little else. Clearly, help wanted ads are not designed for the explicit purpose of facilitating the job search.

Public policy issues. Racial references in ads appear to be virtually eliminated, a thing of the past, so to speak. That this is so appears to be as much a function of newspaper policy as it is of the law since adherence to the law is less evident in regard to sex designation. A decision of the United States Supreme Court in June, 1973,^{9/} placed help wanted ads and their arrangements within the realm of commercial speech and thus subject to government regulation. It upheld the constitutionality of a local ordinance making it illegal to designate sex in the help wanted columns. Yet as late as May, 1975, some newspapers still used sex-designated headings. Sylvia Porter, writing nearly a year after the Supreme Court decision, entitled her column of April 26, 1974, "Sex Discrimination Still Rampant," and declared: "If women are denied an equal opportunity at the very beginning of their quest for work, they are even less likely to get a break further down the road."

The newspapers began to move in the direction of removing sex headings as early as 1970. Some papers, like the Salt Lake City Tribune, removed the headings, e.g., "Jobs, Males," and left just "Jobs," retaining the same breaks and the same types of jobs under each separation that had been there before. Sex designations within an ad, however, can be inferred through ad wording ("you can get home in time to get your husband's dinner"), job title

^{9/} 414 U.S. 881 (1973), Pittsburgh Press Co. versus Pittsburgh Commission on Human Relations, et al.

(waitress, saleslady), or explicitly ("attractive girl wanted"). In 1972, neither of the two papers maintained sex headings. Nevertheless, 15 percent of the listings in the San Francisco paper and 33 percent in the Salt Lake City paper contained discernible sex preferences. Generally, newspapers eschew the role of law enforcer and feel that it is up to the employers themselves to take the responsibility for overcoming hiring and advertising bias in sex or age.

Want ads and secondary labor market. It has been charged that want ads contain a large portion of poor jobs. In order to test this, occupational titles of want ads were compared with a list of "low-pay, low-status" occupations prepared by the U.S. Department of Labor. The list includes private household workers, food service and cleaning occupations, farmers and agricultural laborers and non-farm laborers. It was found that 25 percent of the flow of jobs into the want ads falls within the "low-pay, low-status" categorization. In the 12 areas under study, the average 1970 employment in those occupations was 12.8 percent.

In conclusion, the help wanted pages range throughout the occupational spectrum but are heavily used to recruit for certain occupations. Though want ads will, to a degree, reflect the particular labor market in which they appear, the same occupations appear in high volume virtually everywhere. It might be more productive, however, to stratify the ads that dominate this public intermediary as follows:

1. Jobs in low-pay, low-status and high-turnover occupations.
2. Jobs in occupations of uncertain income.
3. Jobs within any occupational family that are least attractive and hardest to fill.
4. Jobs hard to fill because of scarcity of the required skills.

All four categories require that the opening be broadcast to the widest possible audience--the help wanted ads.

EMPLOYER USE OF HELP WANTED ADS

The recruitment channels used by employers have been explored in a number of labor market studies, but a synthesis is difficult if not impossible for the following reasons: (1) different criteria for "use,"

"success" and "methods used" are employed in different studies. (2) The basic measuring units vary. Some investigators count employers, some count jobs, and others count recruitment attempts. (3) Findings in a few of the studies appear contradictory. (4) Specific studies such as the employer surveys conducted in San Francisco and Salt Lake City or the Camil^{10/} survey cannot be extended to represent a national pattern because of the uniqueness of the study areas or their limitations. For example, the San Francisco Bay Area is one of the most unionized areas in the country, and atypical in many other ways. The Camil study is limited to medium-sized cities with populations from 10,000 to 250,000. Moreover, none of the studies has examined non-use, or why some employers in the same industrial and size category do use ads and why some do not.

With these cautions, (and with considerable regret that more standardization of terms and criteria in labor market research is not forthcoming, and that data gaps continue to exist), it is possible to discern a profile of employer use of want ads. The data sources are two mail surveys, one being a random sample of employers and the other of employer users in the Two-City Study. The Camil study material will also be used. The Two-City Study is the only one of any magnitude in the recent period that focuses on employers' use of want ads specifically.

In the Two-City Study, ads were clipped from newspapers, duplicated and sent to the employers who had advertised, together with the questionnaire. Most of the questions on the schedule referred to the particular jobs covered by the enclosed ad. In the two cities combined, 628 employers responded, of which over 60 percent reported "success" (at least one hire) with their ads. These 374 employers placed 385 ads, accounting for 404 listings, resulting in 1,019 hires, which represented a little less than one-half of the total hires of those firms in 1972.

Firms that hired through the ads were most likely to be in manufacturing and service industries in both cities. In Salt Lake City, contract construction and retail trade firms were also successful want ad users. In San Francisco, wholesale trade and transportation firms were also prominent. Clerical and sales were the occupations in which employers reported the highest

^{10/} Recruitment, Job Search, and the United States Employment Service, Camil Associates, Inc., Philadelphia, Pa., December 31, 1975.

degree of recruitment success through the ads. In San Francisco, a substantial number of employers reported success in hiring professional, technical, and managerial workers. It is interesting to note that the industrial and occupational composition of successful employers and the occupations in which they hired are at considerable variance from the industrial and occupational mix that emerges from an analysis of the ads themselves.

Of the 628 employer users in Salt Lake City and San Francisco who responded, 45 percent stated that want ads were the only recruitment method they used to fill the openings in the particular ad. However, 33 percent of the jobs listed in the ads were simultaneously placed with the employment service, 25 percent were placed with unions and professional organizations, and 52 percent were turned over to private employment agencies. Clearly, employers not limited to want ads use a variety of intermediaries at the same time.

The responses from this sub-set of employers who had used the want ads and responded to the questionnaire can be productively compared to the picture that emerges from the sample survey of all employers in the Two-City Study and the Camil survey:

1. Less than one-half of the employers surveyed in San Francisco had used want ads for recruitment during 1972; in Salt Lake City less than 60 percent had done so. In the Camil study, employers used want ads in 45 percent of their recruitment efforts, more than any other formal recruitment channel, and met with success 30 percent of the time.
2. In San Francisco, 85 percent of the employers and in Salt Lake City 76 percent had hired no workers through the want ads.
3. The proportion of large firms (those with 50 employees or more) who used want ads was more than twice that among smaller firms. This is fully corroborated by the Camil study.
4. According to the Camil study, firms with personnel offices, which had multiple openings, and had conducted more than one "search" effort were most apt to be want ad users.
5. With respect to employers' use of other intermediaries, Camil found that newspapers were used alone 17.4 percent of the time,

and with one other method only 12.8 percent of the time. Usually ads were used with two or more methods. The most frequent combination was want ads, employment service and one other. In the Two-City Study, 45 percent of the employers in the user survey recruited through want ads only.

6. User employers reported that 34 percent of the jobs they advertised were still unfilled two to three months after their ads appeared. These were mainly in unskilled blue-collar and professional categories--the two extreme ends of the occupational spectrum.

Clearly, want ads are a major recruiting intermediary for a comparatively small part of the employing community, dominated by large firms mainly in the service and manufacturing sector, which use want ads repeatedly and extensively. Employers reported the highest degree of success in hiring for sales and clerical occupations. A glimpse at the responses to the ads helps explain why larger firms with personnel offices and multiple openings are more inclined to use ads: In San Francisco, 411 employers reported that an astonishing 10,686 job seekers applied for the jobs they advertised, of which 407--or one out of every 24--were hired. Even conceding that the employers may have seriously overstated the response, a larger firm with a personnel staff is best equipped to handle an uncontrolled flow of traffic which could be the consequence of placing an ad. The cost and time for interviewing could well inhibit smaller firms from using ads. Moreover, larger firms are more apt to have openings calling for specialized skills that require a wider broadcast, and are better able to absorb the cost of advertising.

JOB SEEKER USE OF WANT ADS

The most extensive and comprehensive study of research methods used by American job seekers has been the household survey conducted by the Bureau of Labor Statistics in cooperation with the Bureau of the Census in 1972. The report,^{11/} issued in July, 1975, provides a detailed analysis of findings which include the characteristics of job seekers who sought and found work by

^{11/} Job Seeking Methods Used by American Workers, Bureau of Labor Statistics, U. S. Department of Labor, Bulletin 1886, Washington, D. C., 1975.

all job seeking methods. One problem in intergrating that study with the many others that deal with job seeker behavior arises from the fact that its occupational designations are based on the Census categories while most others are based on the Dictionary of Occupational Codes. For that reason the BLS study will be distilled separately to develop a picture of job seekers who use want ads.

The BLS report presents some problems when analyzing want ad use. The wording of question 7A on the BLS schedule left with the householder reads "Did you apply directly to an employer without suggestions or referrals by anyone?" Since newspaper ads are not an "anyone," the wording may have led some respondents to overstate the direct approach method and understate the vacancy information obtained from want ads. Also, private household help is excluded from the service category and does not appear in many of the BLS data arrays, though it is a separate category in some. Domestic jobs are a major, high-volume occupation in want ads. Additionally, the report separates "answering ads" into three categories: local, non-local, and professional/trade journals. In the ensuing material, all three categories were combined and percentages were recomputed.

BLS survey. Informal methods (leads from friends and relatives, direct contact with employers, and asking teachers) are, by far, the most active ways that people pursue and get jobs. Among the formal methods, (public employment service, private employment agencies, school placement offices, labor unions, and want ads), answering want ads is the most frequently used method by the greatest proportion of job seekers and accounts for the most success in obtaining work.^{12/} Of all search methods, answering ads was how nearly 14 percent of the jobs were obtained. The effectiveness rate,^{13/} overall, was 23 percent.

Race. A much smaller proportion of blacks than whites used want ads. Of those that did, a smaller proportion of blacks obtained jobs than white. The effectiveness rate for blacks was 14 percent as compared to 24 percent for whites.

^{12/} The survey was conducted in January, 1973. The population that was surveyed were employed individuals who had looked for and started work in 1972. "Obtained current job" is the measure of success.

^{13/} Effectiveness rate is arrived at by dividing the number of persons who found their current job through a particular method by the total number who used the method.

Sex. A higher proportion of men than of women used all want ads, but the proportion of women was greater in use of local ads and a higher proportion of women obtained jobs through want ads. The effectiveness rate for women was 28 percent as compared to 20 percent for men.

Education. Educational attainments make a marked difference in the use, success, and the effectiveness of want ads. Ads are used least by individuals who completed the eighth grade or less and increasingly more for each year of schooling, including four years and more of college. The last, most highly educated category, however, includes a high volume of responses to non-local, professional, and trade journal ads. The same pattern is evident in obtaining jobs, except that the most highly educated group obtained only 10 percent of their jobs through ads compared to 9 percent for those with eighth grade education or less and 16 percent for those with three years of college. However, the effectiveness rate of the most poorly educated is fairly high--24 percent compared to 13 percent for the most educated.

Age. The proportion of workers who obtained jobs through ads tended to increase with age, though the highest proportion was in the 45 to 54 age group.

Occupation. The degree to which want ads were the method by which people obtained work varies markedly between occupations. In broad categories, want ads accounted for 21 percent of the managerial and administrative jobs obtained--the highest percentage--followed very closely by domestic jobs (private household) and jobs as transportation equipment operators. Want ads were the method least used to obtain non-farm laborer work.

In a more detailed occupational breakdown, the highest rate of success was registered for engineering and science technicians (which include data processing occupations) with 31 percent. Want ads were least successful for teachers. Only three percent obtained their jobs through ads. Among the clerical occupations, office machine operators were proportionally more successful with ads than stenographers, typists, and secretaries. Retail salespersons were proportionally less successful with ads than persons in other types of sales. The service workers (besides household) were only relatively successful with ads--16 percent--which is surprising in view of the high volume of service ads that appear in the papers, particularly in restaurant occupations. Between 13 and 16 percent of the workers in all blue-collar occupations obtained their jobs through want ads.

It is not possible to discern from the BLS report whether the specific occupations that were found in such heavy volume in the want ads are matched by heavy use and success among job seekers.

Though job seekers use a variety of methods to find work, no data were provided in the BLS study on the frequency with which a particular method was used, or in what combinations. However, the Camil study found that the average job finder used four or more methods in looking for work.

From the BLS survey, then, it is possible to construct the following composite of the most successful user of want ads: a white woman, aged 45-54, in the middle range of educational attainment, looking for a managerial, sales, clerical, or domestic job. Want ads are least useful to non-white men, at either extreme of the occupational, age, and educational spectrum.

The Two City Study. The job seeker survey conducted in San Francisco and Salt Lake City cannot be extended to all job seekers because the respondents were interviewed in the offices of the public employment service, and thus were not a representative group. Nevertheless, the experiences of these job seekers with want ads are particularly relevant in that such a population also uses want ads heavily. Two-thirds of the 846 respondents had used want ads during the preceding five years. Twenty-five percent of the respondents said that they had found at least one job among the 2,186 jobs obtained during that period by answering ads. In fact, 18.5 percent of the total number of jobs obtained were through ads. The smaller use of and success with ads by blacks compared to whites was evident in this study as it was in the BLS survey.

The survey is of interest mainly because the opinions of all respondents about want ads as a job seeking tool were solicited. A sub-sample of individuals who had actually used want ads was established, and their experiences were related to their opinions.

A total of 712 specific opinions were codified. If one person offered more than one view, all were used. Opinions were divided by positive and negative categories. Approximately 21 percent of the views expressed were positive. The virtues that participants found in ads included convenience, personal experience, ("it worked for me"), motivating capability, "provides free choice," value to newcomers in an area, etc.

Of the opinions expressed, 79 percent were negative. The reasons can be grouped into objections to the ad itself, objections to the process of responding, and objections to the quality of jobs listed. Negative opinions were about equally divided among the three categories.

The specific complaints that appeared most frequently were: position always filled, too many responses, too much competition; misleading, false advertising, "come ons"; skills and experience requirements too high; poor jobs with low wages; inadequate information regarding job or requirements of employer; dominated by private employment agencies. The latter complaint was voiced repeatedly and almost exclusively in Salt Lake City where the newspaper policy permitted the agencies to intersperse their ads.

The incidence of complaints about misleading advertising was markedly higher among the sub-group who had actually used ads than of the entire group.

CONCLUSIONS

The implications for public policy that emerge from our discussion of help wanted ads are limited. Though they are enormously important as an intermediary, both reflecting and affecting the economy and the local market, they are, after all, a commercial venture. They operate in the private sector with no governmental support or involvement. Overall legislative injunctions against deceptive and fraudulent advertising certainly pertain, and want ads are inevitably affected by both legislation and changes in public consciousness relating to the recruitment and hiring practices of employers, private employment agencies, and other job market intermediaries. Beyond such direct and indirect effects, we perceive no warrant for other types of public intervention.

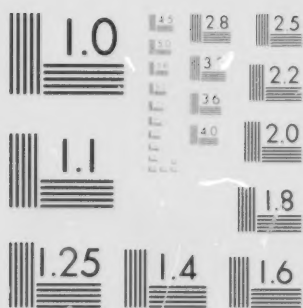
Primarily, then, public policy with respect to want ads ought to be concerned with what can be learned about them and from them that will contribute to our general knowledge of the labor market and the principal actors within it. Though research in worker and employer recruitment and job search methods have been more extensive, the specific examination of the content of want ads has been far too limited to warrant a definitive answer about their possible value. The Conference Board, which is a private sector institution, does produce a want ad index. The government, however, has not pursued an extensive examination of this intermediary, nor has it engaged in

any type of consistent, systematic gathering of want ad data over time to test any hypothesis. Until such effort is made, it is not possible to assess what can or cannot be learned about or from help wanted ads.

Nevertheless, it might be well to conclude this piece by presenting, for consideration, the following brief desiderata:

1. Individuals who use want ads might be far better served if the content and organization of ads were more accurate, more informative, and more precise.
2. Governmental agencies acting in an intermediary capacity would perform a valid service if they taught, assisted, and encouraged job seekers to make a more rational search for work. Learning to use the want ads knowledgeably is among the skills that should be imparted.

2 I.S.



MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS-1963-A

VII. AN ANALYSIS OF THE TEMPORARY HELP INDUSTRY

PREPARED BY

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AN ANALYSIS OF THE TEMPORARY HELP INDUSTRY

Currently there is a great interest in new methods for scheduling work. Some of these new methods are the four-day work week, flexitime, the guaranteed work year, and job sharing. One method of scheduling work that has been virtually overlooked by researchers and policy-makers is temporary help employment. Temporary help firms (THSs) hire workers who are then sent out on assignment and, after it is completed, wait for additional assignments in other organizations. These workers are considered to be members of the THS rather than of the organizations in which they complete their assignments. Hence, firms in this industry do not consider themselves to be agencies but personnel services, since they do not charge a brokerage fee (Moore, 1965b).

BACKGROUND AND TRENDS

Historical studies of this industry indicate that its origins can be traced to Samuel L. Workman, who supposedly was the first employer to send his own employees to work on the premises of another firm (Moore, 1965a). However, it is generally agreed that the industry in its modern form took shape immediately after World War II. Two of the giants in the industry, Manpower and Kelly Services, were established in 1947 and 1948; other firms that eventually became leaders in this industry came into existence shortly thereafter.

Reasons for Growth

Many demand factors account for the growth of the temporary help industry. Because of the tight labor markets and economic prosperity after World War II, there was an increasing need for workers who could assume a temporary position for

emergency situations and peak work periods. Except for peak periods, many of the regular workers were underutilized. Management experts have argued that regular workers are sometimes underutilized by as much as 40 percent to 50 percent (Parkinson, 1971). The fringe benefits of regular workers also became costly. According to a recent study of 761 manufacturing and non-manufacturing firms, employee benefit costs are growing almost twice as fast as wages, and now constitute a third of payroll costs (Nation's Business, 1976).

On the labor supply side, the growth of the part-time labor force was very important. Most, if not all, of the workers in this sector of the labor force do not want to work on a full-time basis. Between 1967 and 1977, the percentage of workers in the civilian labor force classified as part-time rose from 16.1 to 18.4 (Employment and Earnings, June 1967, p. 22; June 1977, p. 27). In both time periods, the unemployment rate was higher among part-time workers than full-time workers. In particular, the increase in the labor force participation rate of women, now approximately 50 percent, was critical, since many of them do not or cannot work at a full-time job.

Patterns of Growth

The temporary help industry consists of three major sectors: the clerical, the industrial, and the technical/professional. There are no exact figures on the size of the industry, but reasonable estimates are: 65 to 70 percent of the employees in the clerical sector; 25 to 30 percent in the industrial sector; and 2 to 5 percent in the technical/professional sector (Gannon, 1974b).

There are only a few large national firms in this industry. Industry experts estimate that there are over 2,000 firms, most of which are regional or local. To compete against the larger firms, the smaller firms typically try to develop

a distinctive service or image. For example, International Temporaries hires bilingual workers that are sent out on assignments in which the use of two languages is essential.

The larger firms generally use three types of organizational design: branch offices, franchises, or licenses. Some of the larger firms use two or three of these designs simultaneously. These larger firms generally provide services in two or three of the major sectors of the industry: clerical, industrial, and technical/professional.

However, there are alternatives to THSs, such as using regular workers on an overtime basis. One of the important factors that led to the growth of this industry is its entrepreneurial spirit. In 1947, business firms were generally ignorant of the distinctive services that a THS could offer. The THSs counteracted this image problem by flooding the U.S. mail with advertisements depicting the advantages of their services. At the same time, they advertised heavily in newspapers to obtain both customers and employees.

A major reason why entrepreneurs are attracted to this industry is that it requires a minimum of investment in capital equipment. It is possible to begin relatively large-scale operations with a capital investment of \$40,000 to \$50,000 (Joray and Hulin, 1974).

There is, however, a good amount of competition in the industry. Some observers have argued that it is an excellent indicator of the business cycle, since historically business firms decrease their use of THS employees during recessions, thus forcing some THSs to liquidate (Moore, 1963). However, this situation may be changing, at least for the large THSs. Business firms now seem to realize the cost advantages of using the THSs. Still, some of the smaller THSs may be forced out of business during recessions, for they do not have the financial reserves that the larger firms possess. Industry spokesmen have informed this writer that several firms cancelled

their membership in the major trade association of this industry, the National Association of Temporary Services (NATS), during the 1974 recession -- a situation that may indicate that they have gone out of business or have curtailed operations drastically.

In the professional/technical sector, a major reason for growth was the expansion of government contracts after World War II. After obtaining these contracts, many business firms would hire professional and technical workers through the THSS for the duration of the projects. While the number of employees in this sector of the industry is small, the rate of return is greater than that of the other two sectors owing to the fact that the THS can charge its customers more per employee.

It is generally agreed that profit rates as a percent of sales are low. A recent survey of its members by NATS indicated that only 3.5 percent of the sales dollar goes to profits (Adderley, 1976). This figure is in general agreement with earlier estimates (Moore, 1963; Joray and Hulin, 1974). However, profits constitute a high return on total investment as measured by total assets. A 1969 confidential survey of the industry by Arthur D. Little Co. revealed that after-tax return on net worth averaged 20 percent (Rohan, 1972). This survey also showed that the industry was doing \$1.2 billion of business per year. Industry experts now place this figure at approximately \$2 billion.

Industry experts also have identified three major periods of growth (Scheinfeld, 1976; Scott, 1976). The first period extends from 1947 through 1959. During this period, the THSS emphasized the use of THS employees for *emergencies* such as illness, substitution for vacationing workers, and filling in until a permanent placement could be made. During the second period, the 1960's, the THSS stressed the concept of *planned usage* -- cost-conscious managers could reduce outlays by

using an optimal combination of regular and part-time workers. Elmer Winter, a co-founder of Manpower, argued persuasively for the concept of optimum workforce mix to reduce costs and increase flexibility. Winter felt that the optimum mix would approximate the following proportions: 75 percent regular, full-time workers; 15 percent THS employees; and 10 percent permanent, part-time workers (Winter, 1972).

The industry entered its third period of growth during the late 1960's. The major emphasis is on offering a *diversity* of services. For example, a THS will undertake contract staffing: It will hire, train, and supervise a group of employees that will complete a specific project over a period of one or more years. Some business firms hire employees whose records are then taken over by the THS; these workers are thus THS employees until a permanent opening develops in the business firm. Other examples of diversification can be found in Gannon (1974b).

EMPLOYEE PROFILE

Several studies have examined the personal and demographic characteristics of THS employees. In reviewing three of the early studies in this area, Gannon (1974b) pointed out that most of these workers were age 30 or below. He also agreed with Moore (1963) that personal characteristics may be much less important than the situation in which the individual applying to a THS finds herself. In Moore's study, 65 percent of 206 former employees indicated some transitory circumstances as the major reason for not being in the market for a regular job. In addition, 70.9 percent of these 206 THS employees stated that they would return to temporary work if need arose (see also Leone and Burke, 1976).

The relative unimportance of personal characteristics was recently highlighted in a study of 4,129 THS employees in the

Philadelphia office of a national firm: In 1967, 57.6 percent of the employees were married, but in 1973 only 33.2 percent were married. A similar inversion occurred with respect to age (Leone and Burke, 1976).

Gannon (1977) has recently focused on the issue of transitory/unusual circumstances in a study of 1,438 THS employees that included 11 occupational groupings. He asked these employees to indicate the most important reason why they decided to apply for a job with the THS: 16 percent indicated variety in work, that is, frequent changes in assignment; 8.5 percent, a stopgap measure until I can obtain a permanent job; 48.7 percent, freedom to schedule my work in a flexible manner; 1.1 percent, employment during school vacation; and 15.7 percent, other. As in Moore's earlier study, it seems that transitory or unusual circumstances lead the individual to apply for a job with a THS.

Similar findings are reported in Leone and Burke (1976). They provided a list of 12 reasons why an individual might choose to apply to a THS. Of the 12 reasons, only three were ranked first by 10 percent or more of the sample: 25.1 percent, freedom and flexibility; 23.4 percent, available for a temporary period only and was reluctant to take a permanent job; and 11.8 percent, opportunity to evaluate my skill potential.

Economic Need

As we have seen, many individuals are drawn into temporary work because of unusual or transitory circumstances. In Gannon's recent study of 1,438 THS employees, 45.2 percent indicated that they were the only wage earners in their families. Also, as occupational level in this sample increased, the percentage of single wage earners significantly declined. In fact, many individuals choose temporary work because they cannot find permanent jobs: Okada (1969) reported that

71 percent of his 37 industrial THS employees fit into this category, as did 71 percent of the 776 clerical THS employees and 68 percent of the 544 industrial THS employees in the Joray and Hulin study (see also Leone and Burke, 1976). Thus, economic need plays a most important role in the recruitment of THS employees.

Socioeconomic Status

Two studies have compared the clerical THS employees with regular, full-time clerical employees. In the Leone and Burke study, the comparison involved clerical workers in the Philadelphia SMSA and the United States; in the Joray and Hulin study, the researchers used a control group of regular clerical workers for the comparison. In both instances, the clerical THS employees were characterized by a socioeconomic status that was at least equal to that of their counterparts, and, on some dimensions, superior to it.

Joray and Hulin compared a group of industrial THS employees with a control group of regular industrial workers. In this instance, the industrial THS employees were significantly lower on the socioeconomic indicators than their counterparts.

Although there are no comparable data on the professional/technical sector, it seems safe to conclude that their socioeconomic status is as high as that of their counterparts.

Job Search

At least three studies have examined the relationship between job search methods and employee turnover among regular, full-time employees with similar results (Ullman, 1966; Reid, 1972; and Gannon, 1971). In the largest of these studies involving 6,390 employees, Gannon showed that the turnover rates for two formal methods of job search -- newspaper advertisements

and employment agencies -- were significantly higher than those for informal methods, that is, references by current employees and school administrators, reemployment, and walk-ins. The turnover rates for the two formal methods were 39.4 percent and 40.0 percent; for the informal methods, the range was 21.3 percent to 28.8 percent. Relationships did not vary over time.

When THSs came into existence, they relied heavily on newspaper advertisements. Given the fact that clerical THS employees are at least equal to regular clerical employees in terms of socioeconomic status, we might expect that similar findings on the relationship between job search methods and turnover would emerge. There has been no published research on this subject, although Gannon is currently testing this hypothesis.

In a recent survey of 1,438 THS employees, Gannon included the following item:

How did you hear about this THS? (CHECK AS MANY AS APPLY, AND PUT TWO (2) CHECKS BESIDE THE MAJOR SOURCE OF INFORMATION THAT MOTIVATED YOU TO SEEK EMPLOYMENT WITH THIS THS.)

Eleven choices were provided. Of the 1,438 respondents, 49.5 percent had heard about the THS through newspaper advertisements, 36.2 percent through current employees, and 12.0 percent through the yellow pages. Ironically, the THS did not use employee advertisements in the yellow pages, thus suggesting that some of these respondents randomly flipped through the yellow pages when searching for a job.

Similar findings emerged in terms of the *major* job search method. In addition, 70.4 percent of the 1,438 respondents used only one method, and 24.8 percent, two methods. Thus, while economic need and unusual circumstances may be decisive factors motivating individuals to apply to a THS, it seems that they do not complete an exhaustive search of existing job opportunities (see also Joray and Hulin, 1974).

PRE-EMPLOYMENT STATUS AND LABOR SUPPLY

Since transitory and unusual circumstances are important in terms of attracting individuals to the THSs, it seems appropriate to focus on pre-employment status and labor supply. In his recent survey of 1,438 THS employees, Gannon included the following item:

What did you do immediately before applying for a job with this THS?

The responses were: 9.3 percent, attending school full-time; 23.0 percent, unemployed but not actively seeking work until I decided to apply for this job; 23.1 percent, unemployed but actively seeking work; 15.6 percent, had a permanent job but decided to moonlight; and 12.3 percent, other. These figures suggest that the supply of labor is significantly increased because of the availability of temporary work. In fact, the existence of THSs may impact on the magnitude of the unemployment rate. Many individuals would be classified as unemployed if they did not actively seek to work on a temporary basis.

Leone and Burke reported similar findings. Of the 492 former THS employees they interviewed, 37.2 percent never held a job during the five-year period prior to applying to the THS (see also Moore, 1963). Thus, temporary work seems to be an important vehicle for many individuals who want to reenter the labor market. Based on an estimate of 1.5 million THS employees at the time of their study, Leone and Burke argued that temporary work provides reentry or entry for at least 300,000 individuals (37.2 percent of 1.5 million).

There is some evidence that many individuals would not work if temporary help employment were not available. In a Marks survey of 2,000 THS employees working in England (1971), 27 percent of the respondents indicated that they would not become a regular employee if temporary work were not available.

In the same survey, 38 percent indicated that they expected to remain a temporary employee on a regular basis with breaks. Such individuals can be classified as permanent temporaries (see also Moore, 1963).

UTILIZATION AND AVAILABILITY

We have analyzed the manner in which the individual is attracted to apply to a THS. Once hired, her work patterns are strongly influenced by two interrelated factors: utilization and availability.

Utilization

There is a good amount of evidence suggesting that THS employees really want to work at a full-time job only for a short period of time. In an early study of the industry, Moore (1963) indicated that 65 percent of his 416 clerical THS employees were available for work five days a week on a full-time basis. He also established that the median length of tenure before termination was approximately three months. Other researchers have reported similar findings (Gannon and Brainin, 1971a; Leone and Burke, 1976).

However, some research strongly suggests that many individuals cannot obtain as much work as they desire from the THS. In Moore's study of 416 clerical THS employees, 29 percent indicated that they were not offered as much work as they desired. Also, 10 percent of the THS employees completed 37 percent of the hours worked, and 50 percent completed 87.6 percent of the hours worked.

Utilization seems to be a major issue in the THS industry. The author recently read an unpublished study of 289 THS employees focused on this issue. Although all had been evaluated

favorably and hired, 27 percent received no assignment for the first 22 weeks they were on the payroll. In the same agency, an unpublished study of 1,067 former employees indicated that 24.3 percent quit because they were given fewer hours than they expected (see also Joray and Hulin, 1974).

In his study of 1,438 THS employees, Gannon discovered that 38.6 percent did want to work a greater number of hours on a regular basis, and 14.3 percent at certain times of the year. Also, while the respondents preferred an average of 29 hours of work per week (standard deviation of 13), they received only an average of 22 hours during the last week of work preceding the survey (standard deviation of 15).

Availability

The opposite side of the coin is availability. Many of the workers have definite and delimited preferences as to when they want to work. In Gannon's 1977 survey of 1,438 THS employees, only 28.1 percent preferred to work on Saturday, and 24.6 percent on Sunday; for the other days of the week, the percentage never fell below 70. However, as occupational level increased, the preference for Saturdays and Sundays also rose significantly. Similarly, the incidence of working elsewhere in addition to the THS job was positively and significantly related to occupational level, thus suggesting that higher-skilled workers are using the THS as a moonlighting job. In the entire sample, 25.9 percent worked elsewhere in addition to the THS, but the range was 16.0 percent to 37.9 percent.

Similar to Moore's study, Gannon discovered that 59.6 percent of the 1,438 THS employees preferred to work five or more days per week at the THS. However, 38.4 percent wanted to work only four hours per day. Further, 69.0 percent preferred the morning and 53.4 percent the afternoon, but only 27.6 percent preferred the evening and 23.5 percent the night.

Leone and Burke reported similar findings. The number of THS applicants was significantly below the average for the year during the November-March period and the July-September period. These periods coincide with the Christmas holidays and summer vacations. During these two periods, THSs usually have some job openings that they cannot fill because of the lack of qualified THS employees.

Leone and Burke also reported that 35.0 percent of their clerical sample refused one job per month, and 18.7 percent more than one job per month. However, this rate of refusal increases as skill level rises, as does employee turnover (Gannon and Brainin, 1971a and 1971b). And, as suggested above, the rate of refusal most probably increases during "undesirable" times of the day, week, or year.

Thus there does seem to be some inevitable conflict between utilization and availability. After interviewing 20 THS employees, Olesen and Katsuranis (1977) concluded that many of them like this type of work because they can bargain with the THS in terms of assignments, especially if they possess some distinctive skills or if the THS is swamped with orders.

The traditional response of the THSs seems to have been overhiring. However, some of the firms are beginning to re-examine this strategy. There are substantial selection and overhead costs associated with it. Since the rate of return on the sales dollar is approximately 3.5 percent, these firms are beginning to use more refined selection procedures that will effectively match employee availability with job openings.

SATISFACTION AND TURNOVER

Typically, job satisfaction is negatively related to employee turnover. Locke (1976) reported that the correlations

in the studies he reviewed were usually less than $-.40$, but some researchers have reported correlations as high as -0.70 .

After factor analyzing 12 possible reasons for desiring temporary work, Leone and Burke (1976) indicated that there are three *independent* dimensions: interest in labor market information, flexibility, and variety. They also showed that two out of five respondents found the THS experience to be of some aid in acquiring labor market information, and 41.9 percent felt that their skills had improved either moderately or greatly. Also, women who worked the least before coming to the THS and those wanting to work only as THS employees saw the greatest improvement. Further, they demonstrated that women with children were much more satisfied than those without children. This finding reinforces earlier studies indicating that family life is improved for many women when they work on a temporary basis: It is possible for them to adjust their work schedules to the demands of the family (Gannon, 1974b). By way of comparison, national surveys have indicated that women working full-time with one or more children in the household under six years of age are significantly less satisfied than the rest of the respondents (Quinn, Staines, and McCullough, 1974).

In the industrial sector, Joray and Hulin found three factors to be important sources of satisfaction for the industrial THS employees when compared with a control group: receiving cash pay or advance payment every day, working at various places and learning new jobs, and having a secure job.

To ensure themselves of work, some THS employees sign up with two or more agencies. In a small study focused specifically on this issue, Gannon (1974a) found that 24 of 67 THS employees signed up with more than one THS.

In general, THS employees are dissatisfied with the uncertainty of the work. In Moore's study of 206 former THS

employees, 35 percent of the respondents felt that this was a very undesirable feature of the work. While 37 percent of the respondents also rated pay unfavorably, no other percentage exceeded 19 for the nine possible dissatisfiers.

In most of the American studies, the THS employees also viewed their pay as unsatisfactory. They seemed to have some justification for this point of view. Joray and Hulin (1974) showed that the average salary for a clerical THS employee in their study was between \$2.26 and \$2.50, while the control group of regular clerical workers earned between \$2.51 and \$3.00. However, Moore (1963) has pointed out that THS employees tend to evaluate their current wage rates against those they received at their last regular jobs. As the discrepancy decreases, satisfaction with pay increases. Also, some agencies pay THS employees *more* money than a comparable group of regular workers, although fringe benefits are minimal (Gannon, 1974b).

In all or almost all studies of the industry, fringe benefits seem to be an important source of employee dissatisfaction. For example, 66 percent of the 2,000 THS employees in the Marks survey (1971) were dissatisfied with fringe benefits; the next highest percentage for any one item was 18.

Termination

As suggested previously, the tenure of the average THS employee is short. Leone and Burke (1976) reported that the median tenure in their study of clerical THS employees was 4.0 months, and the mean 7.5 months. These figures are almost identical to those in Moore's 1963 study. Other studies report slightly higher or slightly lower figures, but they confirm the fact of short tenure (Joray and Hulin, 1974; Gannon and Brainin, 1971a).

Two studies have indicated that tenure increased among clerical THS employees as the desire for this type of work

rose (Leone and Burke, 1976; Gannon and Brainin, 1971a). Leone and Burke also demonstrated that tenure was longest among those women who contributed more than 5 percent but not more than 50 percent to the total family income. Apparently, women who need to contribute more than 50 percent to the family income are attracted to regular work because of economic need.

Gannon and Brainin (1971a) also showed that tenure was longest for those workers who are 35 years old and over. Leone and Burke (1976) were in general agreement with this finding: Tenure was longer for those over 30 than under 30, and the longest tenure was found in the age group over 45.

Gannon and Brainin (1971a) also demonstrated that length of service was lowest among those workers rated as excellent by the hiring interviewer with respect to manner, voice, and grooming. Apparently these individuals are able to find full-time work because of their attractive appearance. Similarly, Carroll (1966) has found that the probability of obtaining a regular, full-time job increased significantly as the attractiveness of job candidates rose.

Subsequent Work Experience

Many of the THS employees leave temporary work to take a permanent position. Thomas Low (1975), president of Aubrey Thomas, has stated that 919 or 27 percent of the 3,393 employees who became inactive in a six-month period during 1975 accepted a permanent job. In Moore's study, 47 percent of 206 THS employees identified the acceptance of a permanent job as the major reason for termination; Gannon and Brainin (1971a) indicated that 48 percent of their sample of 149 THS employees gave a similar response.

However, Leone and Burke (1976) examined the work behavior of THS employees over a seven-year period, both before and after temporary employment. They reported that 60 percent of

their respondents worked full-time in their first regular job after being a temporary, but this percentage steadily dropped throughout the period to 32.5 percent. According to these authors (p. 179):

The dominant force tending to inhibit the work activities of women in the pre- and post-THS periods is the presence and age of children.

Apparently, many of these women tried full-time work after the THS experience but gradually reverted to regular, part-time positions. In this manner, they were able to reconcile the conflicting demands of work and home.

These authors also indicated that 82.8 percent of the sample held jobs in the post-THS period, versus 65.7 percent in the pre-THS period. Thus labor supply seems to be permanently increased through the use of THSs.

CHARACTERISTICS OF CUSTOMERS

There are several reasons why a business firm might decide to use a THS. A 1974 American Society for Personnel Administration/Bureau of National Affairs (ASPA/BNA) Survey of 108 companies indicated that 66 percent used THS employees to replace employees on leave, 77 percent to assist with special projects, 58 percent to augment the workforce during peak seasons, and 3 percent to fill in vacancies until a permanent employee is hired. An earlier but larger study of 3,489 members of the American Management Association (1971) produced similar results, as did a 1976 study of 260 firms that is described in The Office. The study by the American Management Association also showed that 67.9 percent of the firms used more than one THS.

However, industrial customers seem to use the THS employees for different reasons than the clerical customers.

Joray and Hulin (1974) reported that 60 percent of the 140 clerical customers in their sample hired THS employees to substitute for permanent full-time workers, that is, to replace workers on vacation, to fill in for an absent worker, or to fill in until a permanent placement can be made. These three reasons constituted only 25 percent of the responses of the 77 industrial customers who tended to use THS employees during peak periods or to help with jobs occurring on a fairly regular basis, such as unloading trucks.

Availability on short notice is very important to both types of customers. In Okada's study (1969) of 28 industrial customers, 25 of 28 ranked this reason as the most important for using a THS; 71 percent of the 140 clerical customers in the Joray and Hulin study (1974) also ranked this as the most important reason for using THS employees rather than substitutes. In the Joray and Hulin study, 23 percent of the 140 clerical customers chose the avoidance of hiring and terminating workers as the most important reason for using THS employees instead of substitutes, and 50 percent selected this item as the second most important reason.

Several surveys have shown that quality of service was more important than cost or other reasons for selecting one THS rather than another. In the study completed by the American Management Association of 3,489 members (1971), 75.1 percent indicated this preference. This survey also showed that these companies generally budgeted the THS employees as an "extra" expense rather than as a regular yearly salary expenditure.

There are some organizational characteristics associated with the use of THSs. Joray and Hulin (1974) showed significant positive relationships between the use of THSs and organizational size as measured by number of employees. Also, as size increased, the use of two or more THSs rose.

Only one study has examined the relative use of THS employees by different industries. Leone and Burke (1976) showed that, of the jobs filled by THS employees, 32.0 percent were in manufacturing, 30.4 percent in service industries, and 12.6 percent in finance, insurance, and real estate. Every other industry type was represented by 6 percent or less of the total. By way of contrast, in the Philadelphia SMSA, Leone and Burke pointed out that 19.2 percent of the female clerical employment was in manufacturing, 27.2 percent in the service industries, and 15.9 percent in finance, insurance, and real estate. Thus, manufacturing seems to be hiring a disproportionate number of clerical THS employees.

Joray and Hulin have also shown that clerical customers were much larger in size than industrial customers and tended to use THSs for more man-hours of work. However, these results may simply have occurred because of the ideosyncratic nature of the samples.

Most firms, however, seem to use THS employees only for a portion of the year. A survey of 260 companies indicated that 54.9 percent used THS employees under 50 days a year, and 19.0 percent 50 to 99 days (The Office, 1976).

REACTIONS OF CUSTOMERS AND REGULAR EMPLOYEES

In an earlier review of the available literature, Gannon (1974b) argued that the reactions of customers and regular employees to the use of THS employees has been generally positive. Subsequent surveys have served only to confirm this initial impression, especially for clerical and professional/technical THS employees.

One way to evaluate customer reaction is to examine the amount of annual sales lost because of inferior work performed by the THS employees. A customer complaint within the first

four hours of THS employment is accompanied by no charge to the customer, although the employee receives his salary. According to Birney (1968), less than 1 percent of the annual sales is lost because of inferior work. No researcher has placed this figure over 2 percent.

However, the ASPA/BNB survey of 108 companies (1974) indicated that only 6 percent planned to increase while 16 percent planned to decrease their use of THS employees. Still, this response occurred during a recession and, given the fact that most companies budget the THS employees as "extra" expenses, it is understandable. At the same time, the ASPA/BNB survey showed that 22 percent of all of the 108 companies had increased while only 12 percent had decreased their use of THS employees within the past two years. This response pattern is consistent with the long-term growth trend of the industry.

Still, there are some negative customer reactions. Joray and Hulin (1974) indicated that the three most important negative reactions among industrial customers were: the quality of the workers, lack of knowledge of the job, and the necessity of increased supervision.

Every survey of customer reaction has identified one major disadvantage associated with using THS employees: the training and/or orientation of the THS employees. When the job is complex, it is often difficult to provide the necessary training to the THS employee who will be in the organization only for a short period. Even when the job is not extremely complex, it is necessary for the supervisor to spend some time orienting the THS employee to the required routines. However, many THSs are attempting to minimize or eliminate this problem by specializing or providing the necessary training and orientation even before the THS employee is sent out on assignment.

A number of customer surveys has also shown that respondents are negatively oriented to the use of THS employees as managers (Gannon, 1974b). However, THSs have demonstrated the utility of such placements in some areas, such as using a THS employee as a branch bank officer or as a controller of a medium-sized company. As THSs increase their amount of contract staffing, the use of their employees as managers will probably become acceptable as a standard practice.

Joray and Hulin (1974) reported that 90 percent of their clerical customers rated service as good or excellent, 10 percent as fair, and none as poor. Similarly, they indicated that 70 percent of their industrial customers rated THS employees as good or excellent, 30 percent as fair, and none as poor. Such results parallel earlier studies of the industry (Gannon, 1974b).

Also, many companies view the THS employee in such a favorable manner that they hire her on a permanent basis. A survey of 260 companies indicated that 4.2 percent pursued this course of action frequently, 17.2 percent several times, and 11.6 percent once (The Office, 1976). Joray and Hulin (1974) have shown that industrial customers utilized this strategy much more than clerical customers. However, the industrial customers also stated that they found this strategy to be much less successful than they anticipated, while the clerical customers were of an opposite persuasion. Given our earlier discussion of socioeconomic status, these results are logical.

Joray and Hulin went on to study the reactions of clerical customers to THS employees when compared with regular, full-time employees. This comparison involved five variables. The differences were not statistically significant, although the customers rated the THS employees higher than the regular employees on adaptability. Similarly, Joray and Hulin reported that the industrial customers consistently rated the

THS employees lower than the regular employees, although the differences were not statistically significant.

In the Joray and Hulin study, approximately 75 percent of the clerical THS employees did not feel that permanent workers viewed them as inferior. These results paralleled those found in earlier studies (Gannon, 1974b). Given the fact that the clerical THS employee seems to be at least equal to her counterpart in socioeconomic status, these results are understandable. However, Joray and Hulin also reported that 47 percent of the industrial THS employees felt that the regular employees attributed inferior status to them, and 31 percent believed that supervisors treated the THS employees unfairly. Again, these results are most probably attributable to the fact that the industrial THS employee appears to possess a significantly lower degree of socioeconomic status than the regular industrial employee.

BARRIERS AND PROSPECTS

Organizations do have the opportunity to use substitutes for THS employees, such as working the regular employees overtime, hiring additional regular help, spreading the work out among the regular employees, and hiring part-time employees directly. In fact, organizations do at times use these substitutes. The ASPA/BNA survey of 108 companies (1974) indicated that 75 percent use permanent part-time employees, 66 percent occasional part-time employees, 70 percent temporary workers hired directly by the company, and 74 percent THS employees.

Barriers to Growth

There are several distinctive advantages associated with the use of THS employees. Still, although the industry has grown dramatically, there are some formidable barriers to growth.

A major barrier is the attempt, both by some members of the federal government and of the state governments, to enforce strict regulations on the industry. In the industrial sector, there have been some abuses by some marginal THSs, such as paying the workers in script that can be redeemed only at a local tavern operating in collusion with the THS. However, most of the industrial THSs do not engage in such practices. The National Association of Temporary Services has developed a Code of Industrial Practices that its members attempt to follow to minimize this criticism. As Joray and Hulin have argued, some regulation of the industrial sector will probably be required to eliminate such practices, but it does not seem rational to extend it to most of the activities within the industrial sector.

More seriously, lawmakers are also attempting to regulate the entire industry: clerical, industrial, and technical/professional sectors. Given the distinctive advantages associated with the use of THSs and reported lack of unethical practices in the clerical and technical/professional sectors, this course of action can reasonably be questioned.

However, some lobbyists and interest groups have argued that the THS employees are being exploited because they do not receive the same fringe benefits given to the regular employees. Some THSs have responded to this challenge by offering vacation pay, educational reimbursements, and medical coverage after a specified number of hours of work. Still, these fringe benefits are in no way comparable to those offered to the regular employees.

What would happen if the THSs were forced to operate under very strict regulation, or pay their employees wages and fringe benefits equivalent to those of regular workers? Given the low rate of return on the sales dollar, the THSs would be forced to tighten up their operations. As they do, however, it is quite possible that some workers would be

forced out of the labor market, especially those with few skills.

It is helpful to examine the European experience. As we have indicated earlier, American companies have used THSs for a variety of reasons. In Europe, companies have traditionally used THSs because of the high costs of fringe benefits and the difficulty of firing regular workers (Larsen, 1974). However, European regulation of THSs is much greater than American regulation. For instance, a German THS must pay the employee's unemployment insurance for three months, even if it only gives her one day's assignment. Given these constraints, the European THSs appear to have become much more selective in their hiring procedures.

At the same time, many European organizations have begun to use illegal workers so as to avoid the high cost of fringe benefits and the difficulty of terminating workers. According to the International Labor Organization, there are approximately 800,000 illegal workers in France; in Italy, estimates vary from 2 to 3 million (Hoagland, 1977).

If THSs did not exist, it is reasonable to expect that the lower-skilled workers would suffer. Such workers have difficulty obtaining labor market information, and find the THS to be a ready source of jobs. Also, job opportunities for higher-skilled employees desiring flexible schedules might well decrease.

However, a more reasonable prospect is stricter governmental regulation so that the THS employee would receive pay and fringe benefits equivalent to those offered regular, full-time workers. Again, many individuals would probably be forced out of the labor market. The THSs would probably begin to hire fewer but more qualified and reliable employees who would, in effect, become their permanent employees. As we have seen previously, many THS employees go into this line of work because they cannot obtain a suitable permanent job,

and some members of this group would probably *not* be hired by a highly-selective THS.

Another reasonable alternative is for the federal government to subsidize the temporary help firms by paying for the fringe benefits so that these workers would receive approximately the same pay package as regular, part-time employees. This course of action might make governmental regulation of the industry more palatable, and might motivate the temporary help firms to exert greater efforts in placing lower-skilled workers.

Other Barriers

In Europe, the labor unions seem to be more antagonistic to THSs than in the United States (Deal, 1977). In fact, Manpower and other THSs have made agreements with the long-shore union allowing THS employees to be used during peak work periods. It is quite possible that unions will become a major barrier to the growth of this industry, although past and current experiences do not provide a reliable guide on this issue.

Lobbying groups such as Women Today in Chicago represent another formidable barrier. These groups typically demand that the THSs pay their employees as much as regular, full-time employees. If this practice were widespread without governmental subsidization of fringe benefits, some organizations would probably discontinue the use of THSs because of their high costs, and use substitutes.

Finally, the THS industry does a relatively poor job of lobbying and making known its point of view. While the National Association of Temporary Services has increased its membership from 25 to approximately 200 within the past 10 years, its Washington office is very small, and many THSs either are not members or are lethargic. As one industry

representative told this author, the only time there is a large turnout of THS executives is when legislative activities are involved. Thus the industry is more reactive than proactive.

The Future

It is quite difficult to predict the future of THSs and their industry. It would appear that some governmental regulation will be enacted, especially in the industrial sector. As we have seen, there are several reasonable scenarios dependent upon such factors as increased union opposition and lobbying successes of groups antagonistic to the industry.

Still, there are many factors that seem to indicate a bright future for the industry. The American economy has become pluralistic and, as such, its organizations need greater flexibility than that found when the United States was dominated by its industrial sector. At the same time, many workers want the flexibility provided by THS employment. Additionally, it seems that the clerical and technical/professional sectors of the THS industry will expand, especially in light of the fact that white collar work has become so pervasive and the average worker is highly educated relative to many other countries (approximately 12 years of education). Further, there are specific avenues of growth that are currently restricted but that will probably open up in the near future, such as using THS employees in the federal government. While no definite and final assessment can be made, it does seem that the THS industry will continue to expand and become a vital part of the lives of many American workers.

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VIII. THE SOCIO-ECONOMIC ROLES OF THE TEMPORARY HELP
SERVICE IN THE UNITED STATES LABOR MARKET

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I. INTRODUCTION

"Today, the Temporary Help Service industry employs approximately 1.5 million women per year, of whom an estimated 300,000 are returning to work. With offices in all of the nation's major labor markets, the industry's numerous portals are open to women who want temporary work. Because its employees are given greater freedom to select where and when they work, and because Temporary Help Service customers are able to rely on it to provide personnel on short-term notice and for varying durations of time, the Temporary Help Service constitutes a unique labor market institution."^{1/}

The above conclusion, drawn in a recent Temple University study of the Temporary Help Service industry, identifies an emerging labor market phenomenon that is bound to have increasingly major impact on our society in the years ahead. Surprisingly, there is much to be learned and understood by those who represent the "Establishment" in the U. S. labor market about the Temporary Help Service industry, how it functions, whom it serves and how it can be effectively used in solving many existing labor market problems.

The purpose of this analysis is to compare the Temporary Help Service (THS) to the more orthodox labor market intermediaries and to examine its socio-economic roles and functions in our rapidly changing world of work. Perhaps the easiest and quickest way to relate the THS to "other" labor market intermediaries is to conclude that, while it has the appearances of being an intermediary, it, in fact, is not one.

^{1/} "Women Returning to Work and Their Interaction With a Temporary Help Service," Temple University Center for Labor and Manpower Studies, page 39. (Available from National Technical Information Service, Springfield, Virginia 22151)

A Temporary Help Service is an independent organization engaged in the business of providing its own employees to perform work, on a time basis, for its customer firms--usually at the customer's place of business and usually of a short term nature.

The key element in the above definition that excludes the THS from being a labor market intermediary is ". . . providing its own employees . . .". This phrase and the actual functioning of a THS makes the firm an employer rather than an intermediary in almost every sense of the word.

At the same time, the employee of the THS and the customer of the THS often consider it an intermediary in the functional sense and tend to use it as one in a practical sense. The resulting gap between the legal and structural positions of the THS and the perceptions of the workers and customers has produced confusion and a host of misconceptions that have inhibited understanding and recognition while social and economic forces have swept its usage and application into the mainstream of the labor market.

On the surface, it would seem incredible to expect that the Temporary Help Service which is not technically an intermediary would be embraced by both sides of the labor market and extensively used in the presence of many other organizations which clearly are intermediaries and well understood as such.

How, then--and why has this situation occurred--and where does it go from here?

To help in answering these questions, we will first examine the two primary functions of the THS and then define and analyze seven major socio-economic roles that the THS performs in executing its functions. We will

attempt to keep in mind that the role of the THS shifts frequently from those services required by various elements of the job-seeking public and those services that are useful to commercial firms in the normal business process. We will see that frequently the performing of a given role serves a dual purpose in the labor market and that rarely are roles or functions detrimental to either side of the labor market equation. It is this delicate position as a catalyst that has allowed the THS industry to flourish as the complexity of our labor market increases year by year.

II. THE TEMPORARY HELP SERVICE PERFORMS THE JOB FINDING FUNCTION FOR A UNIQUE LABOR SUPPLY

Employees of a Temporary Help Service represent a "residual group" in the labor market which are not clearly served by existing institutions.^{2/} The groups and subgroups that are attracted to the Temporary Help firm are limited by five primary constraints from seeking work opportunities through presently existing intermediaries:

1. Those who cannot, for a variety of personal reasons, seek or accept the "normal" permanent relationship.

Examples: Mothers of school-age children with limited time periods for work; students with unusual schedules permitting only intermittent work availability; people with known commitments, such as future permanent jobs, moving to other cities, teachers during vacation periods.

2. Those who have marketable working skills but lack current work experience or adequate self-confidence to apply for permanent work.

Examples: Recently widowed or divorced women who seek re-entry into the job market; recent school graduates.

3. Those whose economic needs require less than a full-time, permanent income.

Examples: Housewives, people with temporary financial problems, people who work only for a single short-term purpose, students.

^{2/} "The Socio-Economic Role for Temporary Help," Scandinavian Institutes for Administrative Research; Boston, Massachusetts, 1977. (Unpublished manuscript resulting from private research grant.)

4. Those who have failed through normal institutions to secure permanent work.

Examples: Laid-off workers, workers with "surplus" skills, workers with "marginal" skills that need upgrading.

5. Those seeking the freedom and flexibility of non-permanent employment.

This group desires to adopt temporary work as a "lifestyle" which can provide work schedules and variety which are not present in a permanent job.

Since the traditional intermediaries tend to deal primarily with the placement of permanent workers into permanent jobs, they fail to serve the needs of these groups which--although individually small in number--aggregate to a substantial total.

In examining how these groups are not served by existing intermediaries, one needs only to examine the intermediary group itself to find the reasons. The permanent placement industry addresses itself to the function of finding a single worker to fill a known job opening. Because of the economic structuring of a permanent placement agency, it cannot afford to serve either the employer or the potential employee in filling openings of a short-term nature. In the case of the Government Employment Service, the massive application of its services, as directed by legislative mandate, prohibits it from dealing effectively with the very small groups described above. At the same time, its bureaucratic image and its governmental origin alienates most of the major business concerns of the nation, preventing good communication and effective usage as a "job developer." The balance of the labor market intermediaries,

such as community-based organizations, school placement services and organized labor hiring facilities, deal with such a highly specialized group of workers that they are unable to focus broadly on the residual groups.

The Temporary Help Service, on the other hand, has come to understand these groups and their individual needs and has offered them a swift, satisfactory and desirable answer to their work problems. In this respect, the Temporary Help Service performs the truly unique function of securing work opportunities for the "residual" groups in the labor force who would otherwise likely face at least intermittent unemployment.

III. THE TEMPORARY HELP SERVICE MEETS THE UNIQUE LABOR DEMANDS OF INDUSTRY

At the same time as our society has created the "residual" labor force described in the preceding section, our economy has created a unique, intermittent demand for workers that has not been served by existing institutions. While it is true that orthodox labor market intermediaries could supply skilled people for short-term work, the use of intermittent workers by business firms involves an excessive amount of time, resources and costs that makes the normal hiring process unfeasible. The primary applications of the temporary work concept by business are: emergencies created by absentees, vacations and changing production schedules; skill shortages; seasonal workload fluctuations; unanticipated workflow patterns; and special projects. Since most of this demand is of an "unplanned" nature, the time and facilities necessary to secure direct relief are not available.

An additional set of problems arises in the development and cost of "normal" employee relationships for short-term work. Firms would be required to place advertising, conduct interviews, administer tests, make selections, and then follow personnel department hiring orientation and training procedures--all of which applies only to work and workers that are temporary or transitory in nature. Further costs are incurred through the execution of the usual or legally obligatory functions of payroll issuance, workers' compensation insurance, social security payments, withholding tax procedures, government reporting, unemployment compensation insurance and, perhaps, bonding or liability insurance.

These critical time requirements, recruiting costs, legal obligations and required internal procedures are assumed by the Temporary Help Service in return for a "service fee" or an amount added to the hourly pay rates of each worker. In general, these "costs" have been determined to be "reasonable" and, in fact, often much less than alternative use of available intermediaries to accomplish the same end.^{3/}

Again, it is important to note that the use of a Temporary Help Service by business firms is not to satisfy the ordinary labor needs of its operations but, rather, a method of temporarily dealing with "unique" demand which invariably requires speed and does not allow for the time or involvement of the permanent hiring process.

A final element that has resulted in widespread usage of the Temporary Help firm by business is the availability of "shortage skills" through these firms. A prime example is the ever-increasing shortage of secretarial skills in the labor market.^{4/} Business firms find that the normal recruiting means fail to supply an adequate number of secretaries for permanent work while the Temporary Help firm has in its employee pool, or can attract, the "unique" or "residual" job-seeker with the exact skills that are needed.

In conclusion, the Temporary Help Service functions as the provider of work for five residual labor groups and, at the same time, as the provider of labor for five primary commercial applications. The grid summary below indicates the interaction between available work and available workers.

^{3/} "The Role of the Temporary Help Services Industry in Canadian Labor Market." A study commissioned by Canadian Department of Manpower and Immigration, 1977. Chapter 3, Section B.

^{4/} "Skill Shortages by Geographic Area" B.L.S., March, 1977.

Primary Residual Labor Groups

Can't Accept Permanent Work

Can't Find Permanent Work

Can't Handle Permanent Work

Don't Need Permanent Work

Don't Want Permanent Work

Temporary Help ServicePrimary Work Applications

Emergencies

Skill Shortages

Seasonal Fluctuations

Workflow Variations

Special Projects

A quick glance at the preceding chart indicates the degree of complexity of the roles and functions performed by the THS and the myriad of specialized capabilities it needs to function effectively.

In the sections following, we will examine the specific socio-economic consequences of THS activity and the specific roles it plays in relating to the two sides of the labor market equation. It is important to begin an analysis of these roles with a description of the single role that gives the THS the capability of executing all other roles--the functioning as an employer of the workers it sends on temporary assignments.

IV. THE SOCIO-ECONOMIC ROLES OF THE TEMPORARY HELP SERVICE

A. The Temporary Help Service Acts as the Employer Under a Unique Set of Circumstances

To satisfy the needs of the "residual" worker groups and the unique labor market for the short-term worker, the Temporary Help Service has adopted the legal status of an employer, performing all of the traditional employer functions for the "residual" labor groups.

These functions fall into three categories: the employment procedures, the legal requirements, and the on-going interpersonal relationships with the employee. Prospective workers are interviewed, tested, oriented on procedure and prepared for work assignments according to their skill and experience. The degree to which these employment processes are professionally carried out by the THS varies widely by company but the need for a professional process is understood by most firms. It will be suggested in the conclusion to this paper that technology is needed to make the "employing" function a real and useful one for the worker in the years ahead.

The legal "employer functions" executed by the THS involve the obligation to issue payroll checks, deduct and pay Federal and State taxes, contribute the employer portion of social security, provide proper workers' compensation and unemployment compensation insurance coverages, and other insurance coverage. Again, the degree to which these responsibilities are properly assumed vary with the size, financial strength, experience and commitment of the THS.

The area of employer-employee interpersonal relationships is an emerging one in the Temporary Help industry. The major firms, today, are highly aware of the necessity to relate carefully and professionally to the temporary worker. A few large firms now use performance appraisal systems which provide information for employee appraisal discussions and resulting merit pay increases as well as reclassification into higher working positions. One firm moves a step further and acknowledges superior job performance of its temporary office workers with symbolic awards which are then publicized to its clients to acquire, for the worker, a higher degree of on-the-job respect for her skills. Some firms now provide social activity opportunity to their workers through parties, seminars and other social events as well as employee publications. Perhaps the most important interpersonal function performed by the THS is that of having a deep understanding of the particular unique situation that has made him/her a member of a "residual" worker group and providing a well-suited accommodation to the unusual work schedule requirements.

As the THS industry grows and continues to professionalize its procedures, its position as the legal employer of the temporary workers becomes very clear and universally accepted. At the same time, it is the role that is most often misunderstood by those with limited knowledge of how the THS functions. This communications gap notwithstanding, the willingness of the THS to "stand-in" as the employer for a worker and a company who are not able to or not willing to accept each other on a permanent basis is indeed the factor that should remove the THS from being arbitrarily labeled as a "broker, agent or intermediary."

E. The Creation of New Permanent Jobs

A common accusation thrust at the Temporary Help industry by its critics is that it simply provides industry with a way to reduce the number of full-time employees and, in effect, replaces full-time workers with temporary workers, thus decreasing the availability of jobs and creating unemployment.

In practice, the effect is quite opposite. It is the common practice of U. S. industry to add permanent workers only for known job functions and then only after a careful economic consideration. The rationale for this procedure is that it is not only necessary for fiscal reasons but it also allows firms to avoid the socially and politically traumatic reductions in workforce that are necessary when indiscriminate workforce additions are made. The emergence of the Temporary Help Service has allowed firms to use short-term workers, without a hiring commitment, to identify the need for a permanent worker. It is commonplace to find companies making a positive permanent job hiring decision after verifying the need through the use of temporary help. Without that option, it is likely that many of the permanent positions would not have been created. In some instances, the company will hire the temporary worker supplied by the THS but, more commonly, after the need is evident, they will move to the permanent labor market to fill the position. Validation of this occurrence is clearly evident in the experience of the THS industry where short-term assignments are ended by the hiring of a permanent worker for the same work. Industry characteristically will use temporary workers for temporary work only--finding it economically unsound to maintain a "temporary" for continuing work.

In effect, the temporary help which is used to solve an emergency work problem frequently verifies the need for a new permanent position and the kind of worker needed for that job.

Another way in which the THS assumes the role of job creation is in the intensive professional marketing of its own services to the business community. Most firms in the field are in constant contact with their client customers and are seeking continually to sell their services for more and more applications. Through that aggressive marketing stance which involves a probing for work opportunities, client companies will frequently be led to a trial of additional people for a specific task. This process leads ultimately to the creation of many jobs that were not listed or considered in the normal personnel planning of that company. In some cases, the new jobs are of a temporary or part-time nature but new jobs, nevertheless, are being created daily by the marketing activities of the THS. In this respect, the industry is further advanced and more sophisticated than the traditional labor market intermediaries who sell their services only in answer to a specific need and do not effectively address the question of "creating" jobs to fit work situations.

C. A Workforce Re-entry Vehicle

Among the several socio-economic roles of the Temporary Help Service, the most prominent and widely applied is that of facilitating the re-entry of workers (particularly women) after a long absence from the workforce. The prominence of this role has been heightened by the change in social practices and women's

position in the workforce during the past decade. As housewives become aware of the labor market value of their former office skills, they cautiously seek possible work opportunities and skill measurements as the preliminary step to worklife re-entry.^{5/} These women are unsure of both their marketability and their real desire to work. They are inhibited in their willingness to seek or accept normal office positions but are curious at the possibility. They could best be described as job market "probers" rather than job seekers. This group of women needs counselling, interviewing, testing and direction which they cannot get on regular job interviews. In many cases, their skills need improvement and updating and, in almost all cases, they need encouragement and assurance that they still have the ability to be productive and will be accepted into the workforce. They fear the classic job interview which places a number of applicants into competition for a single job. The Temporary Help firm offers a suitable "half-way house" to these job seekers; a modified employment procedure without commitment; a chance to have their skills measured non-competitively; and an opportunity to ask questions about the job market related to their own needs and expectations. These are services not available in the traditional range of job market intermediaries.

A second area of help to the re-entrant is the opportunity to improve her skills, self-confidence and marketability through varied job experiences with the Temporary Help firm. In this manner, there are no "failures" and confidence is built through exposure.

^{5/} "Women's Attitudes Toward Work, Children and the Home," Manpower, Inc., August 11, 1976.

Recruitment of people from the re-entry group is a very specialized process. Advertising must identify broad opportunities and acknowledge the re-entry mode to attract applicants. Group presentations, publicity stories and peer recommendations replace the "normal" help-wanted ad. Interviewers must have special skills and testing procedures must include a wide variety of measurements and carefully avoid intimidation and pressure.

If properly executed, the role of the THS in re-entry can bring excellent skills to the workforce and serve the worklife requirements of many. A portion of the re-entering workers will, of course, ultimately seek and accept permanent positions. Others will adopt temporary work as a continuing career. Still another group, having "tried" working, will choose to return to the home--but will have satisfied their curiosity.

How does the role of the THS in facilitating labor market re-entry compare to the capabilities of traditional intermediaries such as employment agencies? The answer is perhaps contained in one of the conclusions in a recent study by Temple University which found:

"Close to 70 percent of the women (studied) accepted more than one assignment from the THS, the average job lasting between seven and eight days. Within a relatively short period of time the typical reentrant worked in a minimum of two company settings and had a good chance of working in more than one job classification. It is doubtful that such varied experiences, within the given time frame, could be gained anywhere but through a THS."^{6/}

^{6/} "Women Returning to Work and their Interaction with a Temporary Help Service," Temple University Center for Labor and Manpower Studies, page 179. (Available from National Technical Information Service, Springfield, Virginia 22151.

D. An Entry Vehicle for Young Job Seekers

In the aftermath of the 1974-75 world recession, it is becoming apparent that the youth of our society are having least success of all working groups in securing an adequate number of jobs. Among the many causes of this retarded employment pace is the lack of understanding of and experience with actual working conditions on the part of young people. This need is perhaps best described in a short but powerful observation contained in a recent report of a Special Task Force to the U. S. Secretary of Health, Education and Welfare:

"Every worker is a teacher and every workplace is a school, not because of the skills that one may impart nor the organization or technology that is apparent, but because they deal with the real world...."^{7/}

If we accept the above conclusion as valid, it becomes quickly apparent that one of the most logical methods of introducing young people to the workforce is to provide an opportunity for varied experiences, on the job, to create a "work-readiness" capability that most youngsters do not acquire in school. While the solution is evident, the method has yet to be found within many government subsidized programs created for that purpose. The THS, on the other hand, has become, by coincidence, an effective means of achieving this objective.

While the Temporary Help Service does not deal entirely with the work problems of youth, it has offered one of the most effective result records to date in

^{7/} "Work in America," A report of a Special Task Force to Health, Education and Welfare Secretary Elliott L. Richardson, 1972, MIT Press, Cambridge, Massachusetts, page 144.

relieving at least a portion of the problem. Approximately 45 percent of Temporary Help Service employees in the U. S. are aged under 25.^{8/} The percentage in other countries is even slightly higher.^{9/} These are young people who came to the THS after failing to find work through traditional intermediaries or through direct job seeking. Because of a wide variety of customer demand, the Temporary Help firm is able to offer young people the opportunity to try varied work in many different working environments.

In a recent study in France, conducted by a French research firm for the trade association, U.N.E.T.T., the following summary of findings appeared:

"The young temporary employees, representing 55 percent of the workforce of the temporary help firms, hope to find permanent employment more easily through temporary work (63 percent), which is the first place of employment for 35 percent of these employees. Fifty-three percent (53%) were not working at the time when they joined a temporary help firm. They like the work that is assigned to them. In their judgment, temporary work is useful since it improves their abilities (58 percent), familiarizes them with business (77 percent). Forty-one percent (41%) have been offered a permanent position while on a temporary assignment, which justifies their hope to become integrated into the business world through temporary work."^{10/}

^{8/} "Survey of Young Temporary Workers," Manpower, Inc., July, 1977.

^{9/} "Temporary Work--The Status in 1976," UNETT, 87 rue Saint-Lazare, 75008 Paris, France.

^{10/} "Temporary Work--The Status in 1976," UNETT, 87 rue Saint-Lazare, 75008 Paris, France.

These statistics are matched by similar figures in a United States study:

"Approximately 42 percent of the temporary workers studies were 25 years of age or less. Fifty-one percent (51%) hope to find permanent employment more easily through temporary work. Forty-two and nine-tenths percent (42.9%) of the young workers have been offered permanent jobs while on temporary assignments. Eighty and seven-tenths percent (80.7%) said that temporary work provides valuable experience toward securing a permanent job."^{11/}

It is clear, from these studies, that the Temporary Help Service acts as an "entry vehicle" for many young people, offering them the only practical work experience available and orienting them to worklife. It is equally clear that prospective employers see the young temporary employee as a highly desirable prospective employee. In the U. S. study, these facts are supported by an ultimate movement of over 50 percent of the young temporary workers into permanent jobs over a period of six months.^{12/}

Temporary work has appeal to young people who are unsettled or uncertain about work as well as offering rarely-found worklife experience that is a definite aid to securing permanent positions.

E. An Alternative for Workers in Transition

A less critical but widely applied social role for Temporary Help firms is that of providing work opportunities for those temporarily displaced from the permanent job

^{11/} "Survey of Young Temporary Workers," International Research Department, Manpower, Inc., July, 1977.

^{12/} "Survey of Young Temporary Workers," International Research Department, Manpower, Inc., July, 1977.

market. This group is comprised of those terminated or separated voluntarily from a job or those changing jobs or locations. The common problem among them is the inability or undesirability of sustaining themselves economically without continuing work. These people are permanent job seekers who need temporary work while they complete their search. Temporary work relieves them of the necessity of accepting a job in desperation and covers many of the "timing" problems involved in accepting permanent work. Very often, these people are entitled to unemployment compensation but reject it in principle or because of its insufficiency. Temporary work, for this group, is a distinct convenience which provides income between jobs without the usual employment application procedures or commitment. Without the option of temporary work, these people might either suffer undue pressure to accept "any" permanent job or resort to public subsidy or borrowing to sustain themselves.

F. The Temporary Help Service Acts as a
"Shock-Absorber" When Labor Market
"Flooding" Occurs

It is well known that the job-seeking population in the U. S. labor market expands whenever non-workers believe that the number of available jobs has increased sufficiently to offer them opportunity. This phenomenon occurs most markedly during periods of cyclical and seasonal upturn when economic reporting indicates job availability. The new job seekers are primarily the married women, the youth and the chronically unemployed of the nation who have given up job seeking during a slower economic period. When the job-seeking population

swells, it does so in large numbers and with sudden action. This "flooding" of job applicants has, in recent years, caused the unemployment rate figures to increase even as total employment figures reach new historical highs.

While the "flooding" phenomenon is not a new one, the make-up of the swelled job-seeking population has undergone radical changes. The change involves large numbers of women who have been granted a new job-seeking status and large numbers of young people who are a part of the post-World War II population increase. This anticipation "flooding" has created a shock to the sensitive labor market mechanism to which the traditional labor market intermediaries have found no answer.

Once again, because of its unique position, the Temporary Help industry has provided the only effective solution to this problem.

It is precisely at these times of strong cyclical or seasonal upturn that business firms find themselves in dire need of temporary work capability. These same firms have not yet determined whether the need is ongoing and, thus, are not addressing themselves to permanent job seekers. They turn, instead, to the THS for speed and convenience and, thus, the THS becomes a reservoir of temporary work opportunities. Through this process, the THS offers a large number of opportunities to the "flooding" group, absorbing both the shock they have created and much of the potential disappointment they might suffer at not finding permanent jobs.

In short, the THS is able to bring some degree of order to the massive and sudden entry of people into the workforce. By siphoning off hundreds of thousands of active job seekers from the entry population, the THS

allows jobs to develop at a reasonable pace and to employ these same people temporarily until they decide whether they are desirous and capable of accepting a permanent job.

Without the existence of the THS as an institution offering a form of control over entry volume, other institutions would likely find the temporary "flooding" to be an unmanageable problem.

It is certainly true that the THS industry, by itself, has not solved the problem entirely but it has brought a great degree of relief to all parties concerned and could increase its impact on the problem through better understanding of the conditions that cause it and improved techniques to handle it. At the same time, Industry, Government, Media and Organized Labor could aid the THS in its "shock-absorber" role through a better understanding of this role and its stabilizing effect.

G. The Temporary Help Service is an Important Source of Labor Market Information for Job Seekers

One of the most helpful services to a job seeker is the availability of good labor market information. It can shorten the time spent looking for work and focus a person's efforts on work for which they are best qualified. The nature of most labor market information is either broadly statistical (U. S. government information) or restricted to specific jobs available (private placement agencies and help-wanted sections of newspapers). In today's complex labor market, a great deal of further information is needed by the job seeker. Facts such as prevailing wage rates for particular skills, changing work environments, developing demands for alternative skills, new machinery and equipment, etc., are required

to help entrants and re-entrants measure their own worth to potential employers.

The Temporary Help Service has, often unknowingly, fulfilled the role of labor market information provider more effectively than any other labor market institution. Professors Leone and Burke, in a recent Temple University study, observed:

"Another reason for selecting a THS as a reentry vehicle was the desire to gain useful labor market information. The reentrants placed great emphasis on such labor market considerations as evaluating their skills, learning new jobs and determining what jobs were available. Thus, it might be suggested that despite their relatively limited prior work experience, these women were "labor market-wise" in seeing the THS as an opportunity to overcome their information deficiencies."^{13/}

In analyzing the kind of labor market information acquired by a job seeker through the THS experience, some unusual observations can be made.

An Accurate Skill Assessment is made and documented through standard testing procedures used by the larger and sophisticated firms. Thus, for example, a woman can be told precisely how she measures up to norms of her peers in the labor market. She then knows what skills need improvement to make her a more marketable person. Professional Patterned Interviewing is now an adopted procedure of the larger THS firms. When properly executed, this procedure serves to supply a wealth of information to the re-entrant concerning a wide variety of alternative job opportunities. A woman applying for

^{13/} "Women Returning to Work and their Interaction with a Temporary Help Service," Temple University Center for Labor and Manpower Studies, page 91. (Available from National Technical Information Service, Springfield, Virginia 22151)

office work to a THS could, for example, through a good interview, divulge latent or hidden skills and experience that are identified by the interviewer as "work-ready" personal assets. Finally, the ability of the THS to provide a wide variety of short-term work experiences supplies the job seeker with the most practical and usable labor market information available. For those seeking ultimate permanent work opportunity, this information is the most realistic appraisal of labor market practices and values.

Thus, in measuring the various socio-economic roles of the THS, one must classify the providing of labor market information as a primary role and observe that the THS accumulates and disseminates the most current and most practical information of jobs, skills, work environments and hiring practices available anywhere.

V. SUMMARY AND CONCLUSIONS

It is evident in analyzing the functions and roles of the Temporary Help Service that its unique and unorthodox structure positions it as a hybrid in terms of traditional labor economics definitions.

It is not actually an intermediary although it is certainly used as one by workers and customers alike.

It serves a heterogeneous array of "residual" groups of workers; that is, those not capable or desirous of obtaining placement as a permanent worker at a given point in time. In doing so, it plays a role not filled by traditional labor market intermediaries.

It functions as an "Employer"--unlike any other intermediary--executing many important employer responsibilities, obligations and relationships.

It offers opportunity to the young, confidence and reassurance to the re-entrant and a temporary haven to the displaced worker.

It is not well understood, nor officially recognized and, yet, the Temporary Help Service has flourished in our society to the point where over 3,000 firms conduct business under this identification.

Is it a fleeting phenomenon fostered by changes in social and economic mores of our modern world? Or is it an institution that deserves recognition, definition and support as a part of the Labor Market structure?

The empirical evidence of its accomplishments in the brief 25 years of its existence tends to support its right to be recognized as an institution. Unfortunately the Temporary Help Industry has not seriously undertaken "Institutional Status" as an objective. In addition, the users of the service have not demanded the professionalism that could and should be applied.

The Temporary Help Service indeed performs socio-economic functions and plays a role in the operation of the labor market. What is missing is a more orderly structure, a technological professionalism and a sense of social responsibility that will earn the respect of other labor market institutions and increase the value of these services to employees and client-customers.

IX. HIRING HALLS AS LABOR MARKET INTERMEDIARIES

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This paper is aimed at providing the reader with an understanding of one of the least familiar of labor exchanges--the hiring hall. The public commonly identifies hiring halls with the abuses they actually are designed to remedy. Anyone who has seen the movie "On the Waterfront" has a clear image of the atmosphere of corruption and bribery attendant in the hiring process which commonly existed in major ports prior to the implementation of hiring halls. Yet the same image is popularly associated with hiring halls, which were begun as a remedy to abusive labor market conditions that prevailed in many ports.

Although there exist several good studies of hiring halls, such previous work has been primarily directed to the examination of hiring hall operations within individual industries.¹ This paper attempts a comparative review across all industries where hiring halls operate in order to provide a broader perspective on the origin, nature and functions of the hiring hall as a labor market intermediary.

¹See, for example, Vernon H. Jensen, Hiring of Dock Workers and Employment Practices in the Ports of New York, Liverpool, London, Rotterdam and Marseilles (Cambridge, Massachusetts: Harvard University Press, 1964); Vernon H. Jensen, Decasualization and Modernization of Dock Work in London, (Ithaca: New York State School of Industrial and Labor Relations. Cornell University, 1971); Charles P. Larowe, Shape Up and Hiring Hall: A Comparison of Hiring Methods and Labor Relations on the New York and Seattle Waterfronts (Berkeley: University of California Press, 1955); Hosseine Morewedge, The Economics of Casual Labor: A Study of the Longshore Industry (Berne: Herbert Lang & Co., Ltd., 1970), and U.S. Department of Labor, Labor Management Services Administration, Exclusive Union Work Referral Systems in the Building Trades (Washington, D.C.: U.S. Government Printing Office, 1970).

A hiring hall is a centralized mechanism that matches workers and job openings in an industry in which there is an unstable relationship between individual workers and individual employers. The name "hiring hall" comes from the place where traditionally workers meet and wait to be sent out on jobs. However, in some industries the term is something of a misnomer, because modern hiring halls are often not physical structures, but rather job referral mechanisms operated entirely on paper or via computer and telephone. The hiring hall has traditionally been associated with construction and the maritime industries. It has also been used to a lesser extent in trucking and the arts, and in New York City, among the garment trades and waiters and other banquet workers. It is now being implemented in portions of the harvest labor market in agriculture.

The single most important feature common to all hiring halls is that they all operate in casual labor markets which are by definition subject to severe fluctuations in employment at both the firm and industry level. Indeed, hiring halls can be understood as attempts to lessen or equitably allocate the adverse impact of casual employment on both employers and workers. In a sense, the hiring hall is an attempt to combat some of the undesirable features of casual labor markets that are described below in greater detail. It is a mechanism for upgrading a labor market system which is adversely affected by unfavorable external or product market conditions.

The precise number of American workers who utilize hiring halls is unknown. However, the total certainly runs no more than two million--less than two percent of the work force and it is confined to a few industries. The largest segment is contained in union construction where approximately one million workers or half the unionized construction

work force find their jobs through hiring halls of various types.² Hiring halls have also been recently initiated by associations of nonunion construction contractors, but as of 1977 these halls serve less than one percent of nonunion construction workers. Almost all offshore maritime workers and longshoring workers utilize hiring halls. These total approximately a quarter of a million workers.³ In addition, hiring halls have been used occasionally on a minor scale by the Teamsters Union in trucking and by the Screen Extras Guild to serve 2000 Hollywood screen extras in the motion picture industry.⁴ Most recently, the hiring hall has been applied to farm work by the United Farm Workers (AFL-CIO) and by selected employer associations. In each of these cases, the hiring halls make referrals only to employers within a single industry rather than operating across industries. It is apparent that while hiring halls are not very important as labor market intermediaries for the work force as a whole, they play a critical role in certain casual labor markets.

²U.S. Department of Labor, Exclusive Union Work Referral Systems in the Building Trades, p. 24.

³Some general information on numbers employed in the offshore marine and longshore industry are contained in Lester Rubin, William S. Swift and Herbert R. Northrup, Negro Employment in the Maritime Industries (Philadelphia: Industrial Research Unit, the Wharton School, 1974). In addition, data on membership for the International Longshoremen's Association (AFL-CIO), International Longshoremen's and Warehousemen's Union (Ind.), and National Maritime Union of America (AFL-CIO) are contained in Directory of National Unions and Employee Association, 1973. Supplement 2, September 1975. (Washington, D.C.: U.S. Government Printing Office, 1975). Our estimate is derived from these two sources.

⁴Morewedge, The Economics of Casual Labor, p. 25.

CASUAL LABOR MARKETS

Since the major common link between all hiring halls is that they operate in casual labor markets, it is instructive to take a closer look at the characteristics of casual labor markets. The chief feature of casual employment is that it is subject to significant seasonal and/or cyclical fluctuations in demand at both the firm and industry level. Jobs in casual labor markets thus have been described as "uncertain and irregular, yet continual, of short duration, and subject to chance."⁵ In their natural state, without benefit of rationalizing devices such as hiring halls, casual labor markets frequently possess the traits typically ascribed to "secondary" labor markets: low wages, high turnover, poor working conditions, considerable variability in employment, little job security, harsh and often arbitrary discipline, and little opportunity to advance.⁶

In markets subject to enormous fluctuations in demand, work offered by individual employers is highly unstable. While a core of workers--including supervisory personnel--have regular jobs, attachment to individual employers is not possible for most other workers. Thus rather than developing attachment to an individual employer, workers tend to work for a group of employers within a given industry's labor market. Further, although there is a core group of workers who work fairly steadily in, and derive the bulk of their earnings from the occupation, large numbers of other workers with little identification with the occupation drift

⁵ Morewedge, The Economics of Casual Labor, p. 14.

⁶ Michael Piore, "The Dual Labor Market: Theory and Implications", Problems in Political Economy: An Urban Perspective, edited by David M. Gordon. (Lexington, Massachusetts: D.C. Heath and Company, 1971), p. 91.

in to fill employment needs during peak seasons. In fact, a good operational definition of a casual labor market is one in which regular or "core" workers form a relatively small proportion of the work force. The greater the fluctuations in employment, the more casual the labor market, and the smaller the percentage of workers who enjoy full-time employment in the industry.

One factor that often contributes to employment and earnings instability in casual labor markets is the fact that employers, anxious to ensure a supply of labor sufficient to fulfill their peak demand, maintain labor reserves that are far larger than can be fully employed during normal periods. The problem is especially pronounced when individual employers maintain separate reserves, because at any one time only a small percentage of firms can employ their entire labor force; the labor reserves of other employers are therefore idle. And because nearly all casual industries (a significant exception being construction) have relatively low skill requirements, there are virtually no barriers to entry into casual labor markets.

The results of these conditions endemic to casual labor markets is a chronic oversupply of low-skilled workers, only a few of whom can find steady work; for most of the rest, unemployment rates are high and earnings are low. Such conditions can easily create a self-perpetuating climate of desperation which can be taken advantage of by employers. Workers without steady jobs develop the tendency to undercut each other in competing for scarce employment opportunities and frequently agree to work for low wages and under disagreeable terms and conditions; in some cases they are forced to resort to bribing foremen in order to obtain jobs.

While there are common features to all casual industries, significant variations also exist.

Construction. Not only is the construction industry adversely affected by seasonal changes in weather, but also it is among the most vulnerable to cyclical fluctuations and shifts in economic variables such as interest rates. Further, work sites are ever changing, and it is inefficient and often impractical for workers to travel from job site to job site over wide areas seeking employment. Fluctuations in construction employment are often severe. Further, the supply of construction workers generally is in excess of demand; indeed, in 1970 six million people worked at some time in the industry, which provided only 3.4 million full-time jobs.⁷

Employers respond to shifts in demand by maintaining small cadres of full-time supervisors and key journeymen, which they supplement with workers who are closely attached to the industry when the volume of business increases. If demand is unusually high, workers are recruited who are more casually connected to the local labor market, such as traveling workers from other cities or, in the union sector, with nonmembers working on temporary permits.

Longshoring. Demand for dock workers is subject to wide day-to-day fluctuations, since there is often abundant work on some piers in a port while workers on other piers are idle. Before the advent of hiring halls, individual employers responded to swings in demand by maintaining enough workers on each pier to meet the demands of peak periods; at other times, there was a considerable oversupply of longshoremen. Scarce jobs were allocated through the "shape-up," a system in which workers were selected on the docks each morning by stevedoring company foremen, who often were paid

⁷D. Quinn Mills, Industrial Relations and Manpower in Constructions. (Cambridge, Massachusetts: MIT Press, 1972) p. 4.

bribes or kickbacks by workers desperate for employment. Conditions were made worse by the fact that each employer held a reserve of workers to satisfy peak demands. Thus the total labor reserve in a port was much larger than was necessary; since only a few employers at any one time required extra workers, a relatively small reserve would have sufficed to meet the extra demands of the industry. And because each employer maintained a labor reserve of his own, workers who were not engaged on the piers on which they customarily worked had little chance of obtaining employment on other piers either. Finally, the geographical separation of one pier from another prevented workers from shaping up on more than one pier on any given morning, thus effectively limiting their opportunity for work to the decision of a single employer.

Agriculture. The agricultural labor market in the United States is a classic example of a casual labor market. There is limited attachment to particular employers and work forces are typically unstructured, so workers have little job security or opportunity for advancement. Employment is unstable and often of short duration and the work site is ever changing. Large surpluses of unskilled labor, magnified by a large influx of illegal aliens, keep competition for work high and wages low. Payment for work has mainly been by the piece. Long exempted from social legislation which benefited other employees, harvest workers have existed without benefit of public policy to protect their interests. Often subject to exploitation by labor contractors and facing an enormous long-term reduction in work opportunities due to mechanization in certain types of farm work, an estimated 300,000 migrant farm workers follow the ripening crops north during harvest season. About three million seasonal farm workers face similar conditions attempting to earn a living by tending and harvesting crops within more limited geographical areas.

Hiring Halls and Casual Labor Markets

As we shall see, a primary function of hiring halls has been to mitigate the adverse conditions described above that are common in casual labor markets. In doing so, hiring halls have "de-casualized" employment by reducing the size of the industries' labor reserves, by meeting employers' peak labor demands with workers from central reserves, and by establishing equitable procedures for sharing jobs among workers in casual industries. After describing the structure and operations of hiring halls, we shall return to an evaluation of their decasualization function and its benefit to workers, employers, and the public, in a later section of this paper.

HIRING HALL OPERATIONS

The multitude of pathologies associated with casual labor markets has led to the establishment of centralized, formalized hiring hall procedures in industries typified by casual relationships between workers and employers. These procedures vary widely in degree of centralization, formality, and flexibility, but all share four common features: (1) employers in the industry must hire workers through the hiring hall and not from other sources; (2) workers in the industry must register for employment with the hiring hall when they are seeking work; (3) there is an established order in which workers are matched with employers; (4) the hiring hall has the power to assign workers to employers, at times over the objections of workers or employers.

Development of Hiring Halls

Construction hiring halls grew out of unions' desire to control access to employment with union contractors. They became widespread when the closed shop was proscribed under the Taft-Hartley Act. Before 1947, unions relied on closed shop arrangements to control hiring; after 1947 they developed exclusive work referral systems to attain the same goal.⁸

In longshoring, the International Longshoremen's and Warehousemen's Union (ILWU) took a strong persistent stand in favor of the hiring hall. In fact the hiring hall, rotational dispatch, and referral without discrimination, were primary union demands won in the arbitration settlement of the 1934 West Coast Longshore strike. In contrast, the International Longshoremen's Association (ILA) was not as early or strong in advocating the implementation of hiring halls on the East and Gulf coasts.

It should not be concluded that hiring halls are creations of unions alone. Hiring halls have been established for dock workers in many ports for various reasons, and maritime unions were not responsible for their development. The longshoremen's hiring hall in Seattle was founded in 1921 (after unionism had been temporarily defeated) by employers seeking to rationalize the labor market in that port. The hall has been maintained under the ILWU collective agreement since 1934.⁹ Hiring halls were instituted in the Port of New York in 1953 by the Waterfront Commission as part of an attempt to end corruption and racketeering on the waterfront.¹⁰

⁸Phillip Ross, "Origins of the Hiring Hall in Construction", Industrial Relations (October 1972), pp. 366-379.

⁹Charles P. Larrowe, Shape-up and Hiring Hall: A Comparison of Hiring Methods and Labor Relations on the New York and Seattle Waterfronts, p. 92.

¹⁰Ibid., p. 184.

The U.S. experience is not unique: employers and public officials were also responsible for the existence of longshoremen's hiring halls in ports of London, Liverpool, Marseilles, and Rotterdam.¹¹

Dynamics of Hiring Hall Operations

There are wide variations in hiring hall procedures in different industries and areas, each procedure having grown out of the needs of the labor market being served. Still, it would be accurate to say that in general hiring hall procedures call for employers to list job vacancies with the hiring hall, and for workers to register with the hiring hall when they become unemployed. When vacancies exist, the hiring agent assigns workers to jobs in some prearranged order, and workers are expected to report to the employers to whom they are assigned.

The order in which workers are referred to jobs is usually determined by seniority or duration of unemployment, or both. Construction unions with formal referral procedures nearly always dispatch workers in the order in which their names appeared on the unions' out-of-work lists, thus affording the first chance at a job to the worker who has been unemployed the longest. This policy is frequently accompanied, though, by rules giving preference in hiring to workers who have lived and worked in the labor market area for a specified minimum length of time, or who have passed proficiency examinations.¹² An outcome of such procedures is clearly to give preference in employment first to local

¹¹Vernon H. Jensen, Hiring of Dock Workers

¹²U.S. Department of Labor, Exclusive Union Work Referral Systems in the Building Trades, pp. 35-64. See also Ray Marshall, Robert W. Glover and William S. Franklin, Training and Entry into Union Construction, (Washington, D.C.: U.S. Government Printing Office, 1975).

union members, next to travelling members of unions from other cities, and last to nonmembers.

In dock work, where jobs typically last only a few hours or, at most, a few days, duration of unemployment is usually not important in the referral procedure, though West Coast dockers under ILWU contract are dispatched in inverse order of their cumulative earnings. Seniority systems are more important in East and Gulf Coast ports under ILA contract. In the Port of New York, workers are selected on the basis of their seniority on the pier, and if all regular workers on that pier are employed, workers are hired from other piers in that section of the port, and finally, if need be, on the basis of seniority in other sections. In some European ports, longshoremen who belong to the central core of regular workers (usually by virtue of length of service in the port) are given preference over others who are less firmly attached to the labor market.¹³ The methods developed for employment of longshoremen are crucial to the various schemes for "decasualizing" those labor markets, in order to rationalize and regularize employment as much as possible.

Elements of Flexibility

While hiring hall procedures are frequently highly formalized, they are hardly ever as formal or rigid as they seem to be on the surface, and even the formalized methods are usually accompanied--and even superseded--by much more informal means. These informal procedures have developed because rigid rules frequently fail to serve workers or employers, or both, with sufficient flexibility. There has thus evolved a spectrum of referral methods ranging from the strictly formalized procedures on the Seattle waterfront to highly informal systems in certain construction unions which

¹³Jensen, Hiring of Dock Workers.

might be more appropriately called "helping halls" rather than hiring halls.

Perhaps the most common element of flexibility is the provision within limits that employers retain the right to accept or reject any worker referred. Also, employers may specify particular skill requirements as part of their work orders. These provisions are virtually universal in the building trades; indeed, it would be difficult to persuade employers to participate if they were not allowed to specify skill requirements or to reject employees with whom they had bad experiences previously. In practice, union business agents are often aware of these problems, and will usually not knowingly refer workers to employers who will reject them, either because of insufficient skills or inability to get along with a given employer.

Many hiring halls grant workers limited rights to refuse unpleasant work or jobs of short duration. The limitations on such rights are necessary to prevent some workers from monopolizing the better jobs, and to ensure that all signatory employers will have workers dispatched to them, even if the jobs they offer involve undesirable features such as unloading unpleasant cargo or commuting to inconveniently located construction sites or working for an exceptionally short period.

Significant informality has existed in the job/worker matching process, even in industries with formalized hiring procedures. In London, most dock workers were engaged in an informal daily "free call" (the English term for "shape-up" until the dock labor force was decasualized in 1967; only if insufficient workers were hired in the free call were supplemental men hired through the port's central hiring facility.¹⁴

¹⁴Jensen, Hiring of Dock Workers, p. 13.

Informal job search is also quite common in construction. While certain local collective bargaining agreements specify some arrangement for workers to be referred to employers through the union, in times of high employment, often the only function a hiring hall agent may perform is to suggest to workers the names and job sites of contractors who might be hiring. But even where formal referral procedures exist, workers and employers (or their foremen) are usually free to seek each other out and make their own hiring arrangements. A foreman who knows that his firm will be hiring in a few days will typically contact journeymen who have worked for him before, and ask them to report for work if they are unemployed. Similarly, workers whose jobs will be finished in the near future frequently seek out former employers or foremen and ask for work. In fact, union officials commonly assert that under most circumstances, it is chiefly the least competent workers who are placed through the unions; the better craftsmen get their own jobs.¹⁵

The nature and function of hiring hall operations also changes over the business cycle. For example, in construction trades, informal job search is most common during times of tight labor markets. When jobs are scarce, workers are more apt to seek help from their unions in finding work. There is also more of a tendency in slack markets for members to insist on following formal procedures, in order to share the central available work more equitably on the basis of mutually agreed upon principles. Although there is no systematically compiled empirical evidence to confirm this view, several union officials have verified this is the case in their unions.

¹⁵ This information, in common with much other information in this paper, is taken from numerous interviews with union and employer officials and with rank and file union members.

Alternatives to Hiring Halls

Unfortunately, studies of job search have not yet been made at a sufficiently disaggregated level to adequately document the operations of hiring halls within specific industries.¹⁶ However, there is little reason to believe that workers in the maritime or union construction industries use other labor market intermediaries other than hiring halls to obtain employment. Union construction contractors usually agree to obtain all of their workers from the unions they deal with, or at least to call the unions first when hiring begins. The union is allowed a specified time period, generally 48 hours, to fill a contractor's order. Only on rare occasions will a union be unable to fill a contractor's employment needs, although it is often necessary to recruit members of other locals or to extend work "permits" to nonmembers in order to do so. Maritime employers are similarly pledged to employ workers through formal hiring halls, though these are not always union-controlled. In most areas, both of these industries suffer from chronic labor surpluses which make it unnecessary for employers to use other labor market intermediaries to find workers. For their part, workers would find it fruitless to apply for work through other intermediaries, since the hiring halls, with first preference in the hiring process, have more workers seeking employment than there are jobs to be filled. Hence the principal alternative to hiring halls is generally not other labor market intermediaries, but instead the informal search procedures previously described.

¹⁶See, for example, Harold L. Sheppard and A. Harvey Belitsky, The Job Hunt (Baltimore: Johns Hopkins University Press, 1966), and U.S. Department of Labor, Bureau of Labor Statistics, Jobseeking Methods Used by American Workers (Washington, D.C.: U.S. Government Printing Office, 1975).

HOW HIRING HALLS IMPROVE THE LABOR MARKET

Neoclassical economic theory postulates that economic equity and efficiency are best achieved through freely operating competitive markets for goods and services and for the factors of production. Further, as a corollary, anything that interferes with the unfettered operation of competitive markets is a market imperfection and hence undesirable. According to this view, hiring halls are considered labor market imperfections, in that they restrict the choices of employers and workers, and through restricting entry, prevent many workers from competing at all in certain labor markets.

However, not all institutional arrangements that restrict free choice are true labor market imperfections. As Lester Thurow cautions:

...nothing should be labeled a market imperfection without close analysis. If something is a market imperfection, there are always profits to be made by eliminating it... Thus, there is a reasonably high probability that any long-lasting "market imperfection" plays some kind of a functional role in the economy.¹⁷

Thurow's statement was not aimed specifically at hiring halls, but it well applies, because hiring halls do, in fact, play a functional role in the economy--that of eliminating many of the onerous features of casual labor markets, and replacing them with more normal employment relationships. In the process of decasualization, they produce benefits to workers, employers, and the public that would not--and did not--exist in the absence of hiring halls.

¹⁷Lester C. Thurow, Generating Inequality: Mechanisms of Distribution in the U.S. Economy (New York: Basic Books, Inc., 1975), p. x.

Benefits to Workers

Hiring halls are, first and foremost, institutions through which workers are able to share job opportunities on a basis they perceive as equitable, to reduce the number of workers competing for scarce jobs, and to obviate the need to pay kickbacks or bribes to unscrupulous foremen, harvest crew chiefs, or business agents in order to obtain work. As one author put it,

In time the hiring agent...is likely to become an intermediary between the workers and the employers putting his own interests first. The labor movement has long recognized this danger. When workers whose employment is casual or intermittent organize a union, usually the first item on their agenda is to establish a hiring system in which this intermediary function has no place. This typically involves restricting the entry of new workers into the labor force and developing some device for a fair and impersonal distribution of jobs among the regular workers.¹⁸ (Emphasis added)

In a sense, hiring halls are devices to bring order to a chaotic labor market.

We have noted that in casual labor markets, fluctuations in employment of individual employers are more severe than fluctuations in demand for workers to the whole local industry. The fragmented nature of casual labor markets induces each employer, acting independently, to try to maintain access to a supply of labor sufficient to meet peak demand for labor, so that many workers are redundant in normal periods of activity. The cost of maintaining such excess reserves is not borne by employers, but is shifted instead to workers in the form of high unemployment and unstable earnings. A centralized hiring facility for an industry eliminates the necessity for individual employers to maintain their own

¹⁸Larrowe, Shape-up and Hiring Hall, p. 54.

labor reserves, because a floating reserve can be dispatched to those employers with temporarily large labor requirements. This floating reserve can be much smaller than the sum of all the reserves that would be held by employers acting individually, because for the industry as a whole it is necessary to keep enough extra workers on hand to meet the peak requirements of only a few employers at any given time. Thus it is possible, through the use of hiring halls, to continue to guarantee employers all the labor they need, but to reduce sharply the number of workers necessary to make the guarantee, and also to raise significantly the incomes of those workers remaining in the industry.

The experiences of longshoremen in New York and Seattle provide clear illustrations of this point. After the Seattle hiring hall was established in 1921, the resulting flexibility in the hiring system allowed the number of casual workers in the port to be reduced from 1,400 to 612, with greater year round employment and earnings for all workers.¹⁹ By 1951, as a result, more than 70 percent of Seattle dock workers, employed through the hiring hall, had at least "adequate" incomes (as defined by the BLS), whereas in New York, where the shape-up still prevailed in 1950, only 22 percent of longshoremen's incomes could be considered adequate.²⁰ The situation in New York changed dramatically, however, with the implementation of hiring hall procedures. Between 1954, the last year of the shape-up, and 1966, the mean annual income of New York longshoremen increased from \$2,469 to \$5,340 (in real terms) as the number employed in the port fell from 41,333 to 24,825. In 1954, only one percent of dock workers

¹⁹ Larrowe, Shape-up and Hiring Hall, p. 54.

²⁰ Ibid., pp. 70, 165-171.

earned more than \$7,000, while 58.5 percent earned less than \$3,000; in 1966, 58.6 percent earned over \$7,000, while only 14.6 percent earned less than \$3,000.²¹

Workers also benefit from lower costs of job search under hiring hall arrangements. Construction craftsmen who would otherwise have to travel from job site to job site inquiring about work opportunities can instead be placed on jobs by union business agents who already know where jobs exist. Dock workers' search costs have been similarly reduced, while their mobility has increased. Under the shape-up, each docker could effectively compete only on a single pier, since each morning's "shape up" took place at the same time on all piers; if he was passed over in the shape-up on his own pier, he could not travel to another before all men had been engaged on that pier.²² The hiring hall dispatches longshoremen to piers on which they are assured of finding work; regular gangs in New York are no longer required even to be at the hall when work assignments are made.

Highly skilled workers in the construction trades benefit in another way from the work-sharing arrangements implicit in hiring hall operations. Construction skills erode during lengthy periods of inactivity, and without some means of sharing job opportunities during slack periods, the skills of some craftsmen would be degraded, while the skills of others would be lost to the industry entirely, as those workers abandoned their trades to search for steady jobs elsewhere. Work-sharing thus protects substantial investments in skill training made over long periods of time by both workers and employers.

²¹Morewedge, The Economy of Casual Labor, p. 81.

²²Ibid., p. 70.

Finally, the hiring hall has freed workers from the necessity of paying bribes and kickbacks to grasping foremen or crooked union officials. The rules governing assignments to jobs take most of the power over those assignments away from hiring agents, whose ability to shake down workers or in other ways act capriciously is concomitantly reduced. In this light, one can understand why a principal demand of the United Farm Workers--a union representing easily exploitable workers in a highly casual industry--has been the abolition of the labor contractor system and its replacement by union-operated hiring halls. Establishment of hiring halls for harvest laborers could have as significant an impact on the amount of exploitation of workers in agriculture as similar hiring arrangements produced within the dock labor market in New York.

Benefits to Employers

Employers are sometimes thought to be victims, rather than beneficiaries, of the hiring hall system in that range of choice of employees is restricted by formal hiring procedures. However, as we have shown, the network of informal hiring practices permitted under all but the most strict (and least pervasive) referral systems allows employers almost as wide a latitude in selection of employees as they would have in the absence of hiring halls. Construction contractors are commonly permitted to hire workers without going through the referral procedure, and in almost all cases are allowed to demand specific skills of craftsmen that they do engage through the referral system. On the waterfront, as employment has become more stabilized and less casual, employers are more prone to use regular gangs, and simply to supplement their regular employees with casual workers referred by the hiring halls.²³

²³Jenson, Hiring of Dock Workers, pp. 6-7.

The fact that employer groups have established hiring hall procedures in several ports, in nonunion construction, and in the citrus fruit harvesting testifies to the fact that hiring halls offer significant benefits for employers, as well as a relative absence of drawbacks. For one thing, hiring halls allocate scarce labor supplies among employers in times of tight labor markets, and in doing so prevent some firms from being squeezed out of an industry because of inability to engage workers. Hiring halls also provide a source of qualified labor that could not be guaranteed otherwise. Workers are usually referred to jobs on the basis of length of experience in the industry or with employers in the area, or after having passed a proficiency test, or some combination of proficiency and experience. While such referral criteria do not absolutely ensure capable job performance, they are preferable to an absence of information, and possess significant advantages over referrals made on the basis of favoritism or bribery.

Hiring halls are especially effective in reducing search costs and uncertainty over labor quality for construction contractors doing business in unfamiliar locations far from their normal supply of labor. Union contractors from other areas are usually allowed to bring in their own supervisors and key journeymen, while hiring local craftsmen from union hiring halls. The hiring hall system has worked so well in union construction, in fact, that it has been adopted in several cities by the Associated Builders and Contractors, an organization of nonunion contractors.²⁴

In all, the hiring hall system has been able to provide the flexibility necessary to industries in which each firm's

²⁴ Interview with Susan Harris, Administrator, Merit Shop Construction Employment Agency, Houston, Texas, August 1977.

labor requirements vary considerably, while reducing the total labor supply needed by the industry as a whole. As a byproduct of decasualization, in which a smaller number of workers are engaged in more steady employment, employers have at times become more efficient in their usage of labor and scheduling of assignments. Rotterdam's stevedoring companies, for instance, became more efficient in their operations as a result of regularized employment coupled with long periods of tight labor markets.²⁵

Benefits to Society

Hiring halls also offer considerable benefits to society as well. Society benefits from increased efficiency, increased effectiveness in information dissemination, or more equitable treatment of citizens. We have already commented on the waste of labor inherent in casual labor markets in which much of the labor supply is necessarily idle during normal or slack periods. The hiring hall system replaces the individual employers' labor reserves with a flexible reserve that is much smaller than the total reserves maintained by individual firms, but which is still ample to meet the peak demands of the industry as a whole. Unemployment and its costs are thus markedly reduced in casual industries as most truly casual workers are gradually forced out, possibly to form more stable attachments to other labor markets. The workers remaining tend to become more regularly attached to, and are used more efficiently by, their employers.

Hiring halls also benefit society, as well as workers and employers, by improving the quality of job market information. Employers and workers are more readily able to find out about available supplies of labor and job opportunities, and the savings of time and costs realized from a more

²⁵Jensen, Hiring of Dock Workers, pp. 234-244.

efficient search process are presumably passed on to consumers in the form of lower prices.

Finally, hiring halls end the casual labor market's "free-for-all" approach to hiring, with its frequent examples of bribery and corruption. In its place, hiring halls constitute a system in which workers' access to jobs is not determined by kickbacks to hiring agents but by rules devised and understood by all parties to the hiring process. The reduction of crime and corruption in the labor market is beneficial to society, as well as to workers and employers.

Because hiring halls offer a desirable means to upgrade the worst labor markets--offering in the process benefits to employers, workers and society at large--it is understandable why hiring halls have been promoted by public policy. It should be strongly emphasized, however, that hiring halls are not panacea solutions to all adverse labor market conditions. They place potential power into the hands of agents who operate them--power over employers who may be dispatched only less productive workers and power over workers in allocating scarce work. In fact, if not monitored and checked, hiring halls may exhibit some of the same corruption and abuses they were designed to correct. Further, since they effectively limit entry into a labor market, they are open to abuses of discrimination. This is why government has taken the posture not only of promoting hiring halls, but of regulating their activities.

THE OUTLOOK FOR HIRING HALLS IN AGRICULTURE

An industry in which hiring halls have perhaps most recently been applied is agriculture. Some employer groups have implemented hiring halls. One of the most successful of these ventures was begun in 1965 by Coastal Growers, a producers cooperative groups of lemon growers in Ventura, California, who started a hiring hall as part of a more general program of upgrading harvest labor. As a result, the labor force serving Coastal Growers operations has become a smaller group of attached or steady workers. In fact, Coastal Growers picked almost two million more boxes of lemons with less than one-sixth the 1965 work force. Average days worked per worker rose from seventeen to eighty-eight and productivity more than doubled.²⁶

The United Farm Workers (UFW) has with varying success attempted to substitute union-operated hiring for the labor contractors among grape pickers. Some of the problems have been primarily administrative. For example, some employers have complained that UFW hiring halls have not responded quickly enough to their requests for workers. Employers are also displeased with the fact that referrals are made on the basis of seniority in the union--a rather unusual provision not found in hiring halls in other industries. Workers have also been unhappy because they were referred to employers individually, occasionally even splitting up husbands and wives and other groups who had traditionally worked together in the field.

²⁶ Information compiled in 1977 for the Citrus Labor Market Demonstration Project at the Center for the Study of Human Resources, University of Texas at Austin by Sue Eileen Hayes on the basis of interviews with and records from Coastal Growers officials.

Significantly, UFW hiring halls have been modified over time in the direction of accommodating employer needs more. Seniority with an individual firm has been substituted as the seniority in the union has become a secondary criterion for referral. Clearly, the UFW hiring hall remains in a period of transition.

In summary, the hiring hall does offer potential as a device to decasualize some agricultural work. However, the extent of its applicability to agriculture is unclear. Where the harvest season is of sufficient duration to work over an extended period--such as in lemon picking or in local areas with a variety of crops offering complementary picking seasons--hiring halls can play an important role in the decasualization of work. However, where local harvest operations are of especially short duration forcing workers to move on to find further work, the traditional local hiring hall model is of less certain benefit.

Examples of area-wide hiring halls do exist among operating engineers in the United States, construction workers in British Columbia and others. Seasonal workers in the West Coast Salmon Industry have, for decades, been dispatched out of hiring halls on the West Coast. In addition, West Coast longshore employers have been urging the ILWU to view the entire coast as a single labor market in which longshoremen would shift from one port to another following work opportunities. Further assessment of the applicability to agriculture of these less typical area-wide hiring hall models and patterns is needed.

SUMMARY AND CONCLUSIONS

Hiring halls are labor market intermediaries that facilitate the hiring process in industries with what would otherwise be casual relationships between employers and workers. By limiting the supply of labor in construction and maritime work to roughly the number that can find steady employment in those industries, and by creating well-defined systems of job sharing, hiring halls have been instrumental in reducing the chronic labor surpluses, high unemployment rates and unstable earnings that are characteristic of casual labor markets. Employers can rely on hiring halls to provide the quantity and quality of labor they require through a central labor pool, rather than being forced to maintain their own labor reserves. Society benefits from the reduction of inefficient usage of labor as well as from the decline in racketeering and corruption that frequently prevailed in the absence of hiring halls. The beneficial impacts of hiring halls as devices for rationalizing the employment process have led to the adoption of hiring halls by employers in some ports and by nonunion construction contractors, and to their institution by governmental agencies in other major ports. Pressure for establishment of hiring halls procedures for agricultural workers is a major goal of the United Farm Workers, who hope to benefit from regularized employment and the elimination of the labor contractor system. While reduction of excess labor supplies and regularization of work for agricultural harvesters are clearly desirable, the seasonal and geographical aspects of farm work complicate the attainment of these goals. However, promising experience with area-wide hiring halls among operating engineers in the construction industry, and developments in West Coast longshoring and elsewhere, hold hope that area-wide hiring halls or perhaps a coordinated chain of hiring halls may be workable in agriculture.

X. THE PRIVATE EMPLOYMENT AGENCY AS
A LABOR MARKET INTERMEDIARY

PREPARED BY

GARTH L. MANGUM

THE PRIVATE EMPLOYMENT AGENCY
AS A LABOR MARKET INTERMEDIARY

by
Garth Mangum

Five times as numerous as public employment service offices, employing double its total staff, making more long term placements without public cost, touted for efficiency and accused of violating civil rights laws, exploiting worker ignorance and misallocating labor resources - all of this describes the least known of labor market intermediaries; the private employment agency. Reporting little about themselves, even to their regulatory agencies, and successfully avoiding examination by labor market researchers - this paper can only summarize the little that is known, list needed research, and identify policy issues.

INDUSTRY STRUCTURE

There are approximately 10,000 private employment agencies (PEA's) in the United States. The term refers to privately owned, for profit organizations performing a labor exchange function by receiving job orders from employers and applications from job seekers and bringing the two together for a fee charged to one or the other. The estimate of number comes from the National Employment Association, the only trade association in the industry. The industry has three major divisions: (1) the general agencies covering the full range of occupations (though any one may specialize), (2) the executive recruitment firms who seek or represent managerial personnel for a fee charged of the employer, and (3) the search firms who operate on a retainer for major firms in the search for top management talent. Only the first are members of NEA, though others contribute to its financial support because they share the same lobbying

interests. This study reports on only the general agencies, which also include such specialized functions as nurses agencies and theatrical agencies, but does not include temporary help agencies.

NEA is primarily a Washington, D.C. lobbying activity, functioning with a professional staff of two plus the part-time services of a lobbying consultant. It functions under an elected board of directors from throughout the membership. NEA publishes a monthly house organ entitled Placement Age and occasionally surveys the membership for data to be published in the journal.

NEA has some 1,600 members.¹ The nonmember estimate has been obtained by NEA from regulatory agencies in 47 states which have some varying responsibility for regulating the PEA activities. In 1976, 9860 agencies were identified by NEA (Table 1). Since the states without regulations are small and nonindustrial, 10,000 is a reasonable estimate of the total. That number is corroborated by data to 1974 from the U.S. Census of Business (Table 2) and County Business Patterns (Table 3) and by partial reporting from 39 states in response to a mail survey by the author. The Census of Business count is the total of all establishments. Projection of the 7.4 percent 1958-72 trend rate to 1977 would exceed 10,000 establishments. County Business Patterns is constructed from payroll data and leaves out the substantial numbers of "mom and pop" establishments which are owner run without employees.

A 1970 study made for NEA by the Ernst and Ernst national accounting firm found the net operating income before taxes to average 12.3 percent.² Counselors' salaries

¹Placement Age, December 1976, p. 2.

²Ernst and Ernst, Precis: Evaluation of Private Employment Agency Project II, Precis of Final Evaluation Report Submitted Pursuant to Employment Development Department Agreement No. 74006890, February, 1975.

TABLE 1

NEA SURVEY OF PRIVATE EMPLOYMENT AGENCIES

	Total No. of Agencies	Total No. of Firms	Total No. of Placements	Gross Fees From Placements	Average Fee Percent- age	Percentage of Fees Paid by Applicants ⁸	Percentage of Fees Paid by ⁸ Employers	Average Gross Income per Agency
INDUSTRY WIDE	9,860	7,052	1,763,171	\$1,494,098,116	10.1%	43.2%	56.8%	\$151,531
North-East ¹	3,189	2,121	537,384	483,286,808	10.4%	44.8%	55.2%	151,584
South ²	2,333	1,887	445,579	366,946,520	10.2%	53.3%	46.7%	157,285
Mid-West ³	2,434	1,635	372,779	361,754,196	10.6%	25.2%	74.8%	148,625
West ⁴	1,904	1,409	397,429	282,110,592	9.7%	63.4%	36.6%	148,167
APF AGENCIES ⁵	5,909	3,848	1,224,779	843,246,512	8.1%	61.9%	38.1%	142,705
North-East ¹	1,843	842	337,638	257,961,024	7.9%	70.5%	29.5%	139,968
South ²	1,563	1,172	379,965	264,506,490	8.1%	65.2%	34.8%	169,230
Mid-West ³	1,095	865	166,440	118,814,070	9.0%	53.2%	46.8%	108,506
West ⁴	1,408	969	340,736	201,964,928	7.7%	75.7%	24.3%	143,441
EPF AGENCIES ⁶	3,951	3,204	538,392	650,851,604	12.5%	1.6%	98.4%	164,730
North-East ¹	1,346	1,279	199,746	225,325,784	12.2%	.9%	99.1%	167,404
South ²	770	715	75,614	102,440,030	13.9%	1.6%	98.4%	133,039
Mid-West ³	1,339	770	206,339	242,940,126	12.3%	2.9%	97.1%	181,434
West ⁴	496	440	56,693	80,145,664	12.5%	.9%	99.1%	161,584

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(continued on next page)

TABLE 1 Continued

- ¹North-East: Maine, New Hampshire, Vermont, Massachusetts, Connecticut, New York, New Jersey, Pennsylvania, Delaware, Maryland, and the District of Columbia.
- ²South: Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, and Texas.
- ³Mid-West: Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, South Dakota, North Dakota, Nebraska, and Kansas.
- ⁴West: Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, California, Alaska, and Hawaii
- ⁵Applicant Paid Fee agencies are those agencies which receive less than 90% of all placement fees from employers.
- ⁶Employer Paid Fee agencies are those agencies which receive more than 90% of all placement fees from employers.
- ⁷Computed as a percentage of Annual Starting Salary.
- ⁸Percentages computed on the total number of placements, not income.

Source: Placement Age, October, 1976.

TABLE 2

SIZE AND GROWTH OF PEA INDUSTRY

	<u>1953</u>	<u>1963</u>	<u>1967</u>	<u>1972</u>	<u>1967-1972 Growth Rate</u>	<u>Projected 1976</u>
Number of Establishments						
- All	3,892	4,408	5,600 est.	8,000 est.	7.4%	10,700 est.
- With Payroll	2,746	3,490	4,471	6,378	7.4%	8,100
Total Receipts (\$000)						
- With Payroll	92,675	138,191	258,364	504,855	14.3%	850,000
Total Payroll (\$000)	40,418	63,066	125,100	242,836	14.2%	420,000
Total Employees (given week)	16,786	17,932	26,540	38,123	7.5%	50,000
<u>Ratio Analysis:</u>						
Receipts/Establishment	33,749	39,596	57,787	79,156		105,000
Employees/Establishment	6.11	5.14	5.94	5.98		8.00
Payroll/Employee	2,403	3,517	4,714	6,370		8,400
Payroll as a % of Receipts	43.6%	45.6%	48.4%	48.1%		49.5%

Source: Census of Business (SIC code 736)

TABLE 3

SELECTED CHARACTERISTICS OF PEA INDUSTRY

Year	Total Reporting Units	Taxable Payrolls (000) (Jan.-March)	Employees (Mid-March)	Employee-Size Class							
				0-3	4-7	8-19	20-49	50-99	100- 249	250- 499	500 or more
1959	2497	\$12,212	20,537	1605	461	265	86	47	27	5	1
1962	2932	18,525	24,451	1834	549	328	126	57	31	7	--
1965	3509	19,985	23,352	2152	738	437	120	46	19	2	1
1970	5597	62,791	50,456	2503	1470	1101	373	101	45	4	--
				1-4	5-9	10-19					
1974	6467	89,478	64,660	3789	1426	756	325	93	59	14	5

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Source: County Business Patterns, selected years, SIC code 736 except 7361 in 1974.

Note: In 1974 this source shifted from SIC code 736 Private Employment Agencies to SIC code 736 Personnel Supply Services with subdivisions 7361 Private Employment Agencies, 7362 Temporary Help Services of which there were 3163, Establishment and Personnel Supply Services NEC of which there were 566. However, the continuum appears consistent for the Private Employment Agency category. —

were 36.3 percent of total agency revenues and other salaries another 9.9 percent. Table 2 and Table 3 demonstrate the growth of the industry over the past 20 years. An annual increase of 7.4 percent in number of agencies and 14.3 percent in gross receipts is impressive, especially since most of it occurred before the inflation years 1973-77.

The Department of Commerce data (Tables 2 and 3) describe an industry of small firms averaging six personnel (including owner operators) and \$100,000 gross receipts per year. NEA data (Table 1) suggest average receipts twice as high, perhaps indicating a larger average size for NEA firms. Approximately one-fifth are owner operated without employees and four out of ten have one to four employees. Accepting the NEA estimate of 70 placements per year per agency would have each PEA staff responsible for only 30 placements per year. The largest PEA is Snelling and Snelling, Inc. with 500 agencies nationwide, some company operated and some franchised. No others approach that size and only a handful of others could be described as large and interstate. In fact, NEA data show a total of 7052 firms with 9860 offices, leaving little room for multi office firms. Thus one gets the picture of a highly competitive but rapidly growing industry of small scale and generally individually owned firms.

LABOR MARKET IMPACT

As a labor market intermediary, the foremost questions relate to the number of placements made, total and by occupation and at what cost. Unlike the public employment service where the figures are matters of public record, only estimates can be made of the PEA role. There are essentially two sources of such estimates: (1) obtaining placement reports from a sample of agencies and extrapolating that to the universe and (2) establishing a ratio

between the numbers of PEA and ES placements from some sort of sample of placements and using total ES placements to estimate total PEA placements.

The National Employment Association in 1975 and 1976 polled its approximately 1600 members, receiving 530 usable responses in the first year and 662 for the second.³ Assuming this to be a random sample of the 9860 agencies (1976) identified through state regulatory and licensing agencies, they estimated a total of 1,470,000 placements for 1975 (Table 4) and 1,763,172 for 1976 distributed geographically in the latter year as shown in Table 1.

Given the residual sampling approach, there is no way of estimating sampling error. However, it would not seem unreasonable to expect that the largest and most successful firms would be the most likely to respond. If so, the estimated total would be too large. On the other hand, an average of 150 to 170 placements per agency per year does not strike one as much of an overestimate. It would amount to less than 30 placements per year per PEA staff person. The NEA data for gross fees divided by total placements figures out to an average \$850 received per placement (Table 1) but places fee levels at 10 percent of annual salary which would be \$930 (Table 4). That would generate only \$125,000 to \$150,000 per year as the average revenue of each agency, a figure even higher than the Department of Commerce figure and not inconsistent with the average size staff and rate of return suggested by the Ernst and Ernst study.

The Bureau of Labor Statistics in 1977 approached the placement issue from the opposite direction by adding some

³The Counselor, Newsletter of the National Employment Association, Washington, D.C., July 1976; Placement Age, October 1976.

TABLE 4
1975 PEA Survey Results

Average Figures for Individual Establishments		Industry Totals - Average X 9800 Private Employment Agencies Nationwide	
Number of Placements	150	Number of Placements	1.47 million
Gross sales from Placements	\$137,158	Gross sales from Placements	\$1.34 billion
Average fee as a percentage of annual salary	10.2%	Average fee as a percentage of annual salary	10.2%
Number of establishments per firm	1.79	Number of establishments per firm	9,800
Percentage of fees paid by applicant	35%	Placements with fees paid by applicant	514,500
Percentage of fees paid by employer	65%	Placements with fees paid by employer	955,500
Average starting salary of each individual placed	\$9,327	Total salaries of individuals placed	\$13.7 billion

Source: The Counselor, The Newsletter of the National Employment Association, Vol. I, Number III, July 1976.

questions to the monthly Current Population Survey (CPS).⁴ The study identified 10,437,000 persons who had sought and obtained work during 1972 (see Table 5). They were asked to list their sources of job search and the source through which they obtained the job; 5.6 percent had found their new job through PEAs, while 5.1 percent had been successful through the public employment service. Since total ES nonagricultural placements during the year were 3.2 million, PEA placements would appear to be approximately 3.5 million.⁵ However, both the PEA placements and those sampled in the BLS study would have been relatively long term, the PEA's because they must refund the fee in most states if the job does not last 90 days and the BLS by the nature of the sample. Many employment service placements are of very short duration, 10 percent expected at the time the job order was placed to last less than three days and 70 percent expected to last over 150 days. Lacking a 90 day category, if placements in those jobs lasting more than 150 days is used as the base for ES/PEA comparison, the PEA estimate would become 2.5 million. All one can conclude is that PEA placements are between 1.5 million and 3 million, a range too broad to be of much use.

No information appears to be available on numbers of placement by occupation. However, it is known that PEA placements are concentrated most heavily in professional and clerical occupations;⁶ compared to an ES placements concen-

⁴ U.S. Department of Labor, Bureau of Labor Statistics, Jobseeking Methods Used by American Workers, Bulletin 1886. Washington, D.C.: U.S. Government Printing Office, 1975, pp. 4 and 7.

⁵ Employment and Training Report of the President, Washington, D.C., Government Printing Office, 1977, p. 80.

⁶ Recruitment Job Search and the United States Employment Service, R and D Monograph 43, U.S. Department of Labor, Employment and Training Administration, Washington, D.C., Government Printing Office, 1976, p. 30.

TABLE 5
METHODS USED TO SEEK AND FIND WORK
(1972)

Method	Job Search		Job Finding	
	Number	Percent	Number	Percent
Total (thousands)	10,437	100.0%	10,437	100.0%
Applied directly to employer		66.0		34.9
Asked friends:				
About jobs where they work		50.8		12.4
About jobs elsewhere		41.8		5.5
Asked relatives:				
About jobs where they work		28.4		6.1
About jobs elsewhere		27.3		2.2
Answered newspaper ads:				
Local		45.9		12.2
Nonlocal		11.7		1.3
Private employment agency		21.0		5.6
State employment agency		33.5		5.1
School placement office		12.5		3.0
Civil service test		15.3		2.1
Asked teacher or professor		10.4		1.4
Went to place where employers come to pick up people		1.4		0.1
Placed ads in newspaper:				
Local		1.6		0.2
Nonlocal		0.5		(a)
Answered ads in professional or trade journals		4.9		0.4
Union hiring halls		6.0		1.5
Contact local organization		5.6		0.8
Placed ads in professional or trade journals		0.6		(a)
Other		11.8		5.2

(a) Less than 0.05 percent

Source: U.S. Department of Labor, Bureau of Labor Statistics, Jobseeking Methods Used by American Workers, Bulletin 1886 (Washington, D.C.: U.S. Government Printing Office, 1975), pp. 4 and 7.

tration in clerical and blue collar occupations,⁷ along with a large number of low pay-low status temporary service jobs,⁸ while newspaper want ads tend to list most heavily professional, sales, and clerical jobs.⁹ A study of want ads showed that over half of the jobs listed in them were simultaneously listed with private agencies, one-third with the ES and one-quarter with professional associations or unions.¹⁰

Estimates vary as to who pays the fees for these placements. NEA studies showed 65 percent of the 1975 placements (Table 4) and 56.8 percent of the 1976 placements (Table 1) were paid for by the employer. However, the few states which supplied comparable information in response to the author's query persistently reported a ratio more like two-thirds applicant paid and one-third employer paid. This is confirmed by a Labor Department funded study which found the applicant paying in 60 percent of its sample with the employer paying the fee in 20 percent of the cases and a combination in the remainder.¹¹ Once again, one might expect the NEA members to have a bias toward employer paid fees since that is the direction of movement for the larger firms and for those tending toward higher level occupations. In general, the more the occupation is in demand and the harder the job is to fill, the more willing the employer is to pay the fee.

⁷ Employment and Training Report of the President, op. cit., p. 77.

⁸ Miriam Johnson and Marged Sugarman, The Comparative Labor Market Role of Newspaper Help Wanted Ads and Public Employment Service Job Listings, A Report of the Office of Research and Development, Employment and Training Administration, U.S. Department of Labor, Olympus Research Centers, Salt Lake City and San Francisco, 1976, p. 225.

⁹ John Walsh, Miriam Johnson, and Marged Sugarman, Help Wanted: Case Studies of Classified Ads, Salt Lake City, Olympus Publishing Company, 1975, p. 27.

¹⁰ Ibid., p. 33

¹¹ Recruitment, Job Search, and the United States Employment Services, op. cit., pp. 2-22.

NEA estimates the average fee at 10 percent of the first year's salary, the latter being \$9327 in 1975 (Table 4). This average is consistent with material from state regulatory agencies which often limit fees to 1 percent on salaries in the \$1,000 salary range, 2 percent for \$2,000, and so forth.

Which is the most cost effective placement service? That is a subject of hot partisan debate. Public employment service champions tend to view the PEA's as exploitative and violative of public policy. PEA's charge the ES with being an infringement upon private enterprise and an unnecessary burden on the taxpayers, except when they place disadvantaged workers with whom the private agencies would generally prefer not to bother. When one study tested employer preferences between PEA's and ES, having used both, 56 percent said the PEA provided superior service for the type of employee they desired, whereas only 10 percent made that statement for the ES. An additional 10 percent said the PEA was more employer oriented.¹² Dividing placements by personnel would suggest 26 per staff person for the PEA's and 106 for the ES, even though all ES personnel are not engaged in placement related activities.

Dividing the total ES budget by the total of ES placements would provide an average cost per placement of \$250 for 1976.¹³ However, over 320,000 of the 3.2 million placements during that year were for three days or less. PEA's do not ordinarily make such placements, leaving them to the ES and to temporary help agencies. The average pay of an employment service placement in 1976 was \$2.91 per hour¹⁴ compared to the claimed \$9327 or \$4.67 (Table 4) per hour for the average privately placed job. On the other hand,

¹² Ibid., p. 30

¹³ Employment and Training Report of the President, op. cit., p. 73.

¹⁴ Ibid., p. 77.

the employment service provides counseling, testing, and other services out of the same total budget, while PEA's rarely provide other than placement services. The ES screened 15 million applicants and 7.7 million job orders in 1976 for its 3.2 million placements.¹⁵ Miriam Johnson quotes PEA officials as stating that they place one out of five applicants and fill one out of five job orders.¹⁶ Thus, there is no qualitative control for the comparison between the cost of \$250 to the taxpayers for each ES placement and the apparent \$850 to \$940 to the employer or applicant for each PEA placement.

Information on the PEA *modus operandi* is fragmentary and anecdotal. Still, the available information indicates that the PEA's are much more activist in their pursuit of placements than the ES. The ES tradition has been to await the receipt of a job order from an employer and of an application from a job seeker and match the two. In the past two years, the ES has taken a more active stance in seeking out employers in pursuit of job orders to which to refer job applicants. A more standard PEA approach appears to be marketing of the particular individual through aggressive job development. Rather than await the job order, then pursue an applicant, the PEA's tend to start with the applicant, then by telephone try to convince employers to give the job seeker an interview. PEA operators are quoted as making 70 percent of their placements from such job development effort.¹⁷ This job development may rest on a previously established relationship with an

¹⁵ Ibid., p. 81.

¹⁶ Miriam Johnson, A Bifocal View of the Labor Market: The Public Employment Service and Help Wanted Ads, manuscript of a monograph prepared for the Office of Research and Development, Employment and Training Administration, U.S. Department of Labor.

¹⁷ Ibid.

employer, but it is as likely to be pursued cold by the counselor who may receive a salary plus a commission, but more often works on a straight commission basis.

Employer job orders are less frequent and tend to be at the two extremes. Employers may place standing orders for low skill, high turnover jobs or sporadic orders for scarcer higher skills. While the exact extent is unknown, there is apparently a substantial overlap among the three intermediaries available to the general public, with employers listing the same jobs in newspaper want ads, with the ES and one or more PEA's.¹⁸

Employers doing nationwide recruiting are more likely to make use of a nationwide PEA, such as Snelling and Snelling with its 500 owned and franchised offices, than they are of the interstate clearance system of the ES. A recruiter can project an itinerary and have interviews set up in advance by the local affiliate.

PEA's rarely undertake testing, counseling, or other preplacement activities available from the ES. There is an incentive not to displease the employer by referring incompetent help. There is little incentive to serve hard-to-place individuals. Employers with hard-to-fill jobs and hard-to-place applicants are not discouraged from listing or applying, but little effort is generally made on their behalf.

PUBLIC REGULATION OF THE INDUSTRY¹⁹

All states except Vermont, Mississippi, and Alabama

¹⁸Walsh et. al, op. cit., p. 33; Johnson and Sugarman, op. cit., pp. 167-90.

¹⁹Information for this section was gleaned from "Issues in the Development of State Standards for Employment Agency Representation", an unpublished paper prepared by the Division of State Employment Standards, Employment Standards Administration, U.S. Department of Labor, July 1975, from uncompiled information in the files of that office and from direct responses from 39 state regulatory agencies.

have some laws regulating private employment agencies. For four - Idaho, Rhode Island, Utah, and West Virginia - those regulations are locally administered. The regulatory agencies have authority to issue rules and regulations in 36 states, to receive complaints in 24, and to suspend and revoke licenses in 46. They have subpoena power in 19 states.

For some states, only registration is required. However, 41 of the regulatory laws contain some prohibited practices. All of these 41 prohibit false advertising and 27 prohibit false statements. Fee splitting between PEA's and any other organization or employers is prohibited by 37. Twenty-nine prohibit sending an applicant to an employer without a bona fide job order having been placed by that employer. Applicants cannot be referred to an "immoral house" (usually prostitution and gambling) in 27 states. Twenty-four states have some prohibited areas such as a pool hall, sleeping quarters, restaurant or near an "immoral house" where a PEA cannot be operated. Twenty-four states prohibit referring a prospective employee to an establishment where a strike or lockout is in force without notifying that employee and five states have an absolute prohibition against such referrals. In 21 states it is illegal to entice an employee to quit a present job and the same number prohibit enticing an employer to fire an employee. Thirteen prohibit placements which violate child labor laws and the same number prohibit agency names which might be confused with those of federal or state agencies. Nine states prohibit persons of bad character hanging around a PEA, six prohibit sharing PEA premises with any other business, five prohibit referral to an unhealthy or unsafe place and four to an establishment selling or consuming liquor. Smaller numbers of states have a variety of other prohibitions.

Only five states specifically prohibit discrimination in referral on the basis of age, race, color, religion, or sex. Only one specifically prohibits acceptance of discriminatory

orders and one prohibits refusal to accept an applicant on such grounds. However, 39 states have Fair Employment Practices laws (the 11 exceptions are all in the South) and all but two of the 39 specifically cover PEA's.

Counselors working for private employment agencies must be licensed in 12 states and must pass an exam in seven states. Twenty states require licenses and examination for owners and managers of PEA's. Twenty states require some evidence of character, past business experience or source of finances as a prerequisite for licensing.

Forty-four states have record-keeping requirements. A register of all business transactions must be kept in 39. Twenty-two states require job order forms and a file of job orders must be maintained in 24. Fee receipts must be retained in 18 states, all referral receipts must be kept in 15, and applications files in nine.

Nine states require that PEA's report the number of applicants, six the number of placements, and 24 the number of job orders. The total amount of fees must be reported in six states.

Fifteen states prescribe fee ceilings for permanent placements, seven by statute and eight by regulation. Four of these fifteen states have fee ceilings only on jobs paying less than a certain salary, ranging from \$500 to \$800 per month. Only three states regulate the fees that can be charged of employers. Four states use a uniform percentage of earnings and eight use a schedule based on earnings with the percentage rising as the earnings do. Three states have fees based on the type of work as well as the amount of earnings. Three of the state regulations base fees on annual earnings and this is common practice in states without fee regulations, leaving the amount to be paid open-ended and subject to adjustment. The regulated fees vary widely from \$150 to \$600 for a \$500 per month job. Advance fees are forbidden in one-half the employment agency laws and expressly sanctioned

by eight with the remainder silent on the issue. Six states require that the employee be given a period of time ranging from 120 days to one year over which the fee can be paid.

COMPLAINTS OF AGENCY ABUSE

Though again there is no hard evidence, the PFA industry appears to have a somewhat negative public image. Much of their image may have historical roots. In the days of heavy immigration in the early twentieth century, private employment agencies were often held to be exploitative of the immigrants in a strange land with strange language and customs. Kickbacks to employers, collusion with employers to discharge employees as soon as the fee was paid and other alleged abuses are among the lore from which the Wagner Peyser Act emerged in 1933. The statement on the House floor by one of the Act's advocates is illustrative:

" . . . it (The Wagner Peyser Act) will have the effect of abolishing one of the most nefarious occupations that I know of, those human vipers that own and operate private employment bureaus, whose stock in trade is the practice of forever and eternally robbing the unfortunate man or woman who happens to be in need of employment. There is no more vicious aggregation of racketeers in this United States than the owners and operators of the private employment bureaus". . . 20

Public employment service staff and advocates, at least, seem convinced that image is still justified.

Certainly there is enough evidence of particular abuses in specific instances to maintain the negative image, even though the evidence is insufficient to justify generalization. Allegations involve sex, age, and race discrimination, misleading information, bait and switch advertising, excessive fees, abusive financial practices, and downgrading skills for quick placements.

²⁰ Quoted in H. Carter Castilow, The Relationship Between the Public Employment Service and the Private Employment Agencies, and unpublished and undated.

The Anti-Defamation League of B'nai Brith, the National Organization of Women, and regulatory agencies and public interest groups in at least nine states have conducted studies in which PEA's accepted job orders which requested age, sex, or race discrimination or which discriminated in the occupations to which they referred men and women of identical education and experience.²¹ Yet no state mentioned such violations when asked by the author for a listing of complaints and violations. Complaints of misleading information, fraudulent claims, failure to refund fees when a job ended at no fault of the applicant, the selling of contracts to finance companies without the job applicant's knowledge, and similar practices were reported by state regulatory agencies. However, these are dealt with on a case by case basis and nowhere compiled to give a true picture of their magnitude. An industry of 10,000 offices can be expected to have it's share of "bad apples". What needs to be known and is not is how widespread these abuses are and what is the typical practice.

A common complaint is that PEA counselors convince applicants to accept jobs below their skills, either by convincing them that the market is bad or that their skills are deficient.²² Critics charge that this practice is followed to get easy placements and leads to serious underemployment. Agency defenders, on the other hand, allege a common tendency of job applicants to inflate their qualifications and a need to have their overexpec-

²¹ Frances Cerra, "Job Agents are Assailed on Basis of Survey of Ads", The New York Times, August 7, 1977; Long Island Consumer Action, Inc., August 1977; Edward S. Valentine, "An Analysis of the Private Employment Agency Industry in Oregon", Osprig Reports, June 1973; John Vitarello, "An Analysis of Employment Agency Practices in Montgomery and Prince George's Counties, Maryland", A MaryPIRG Report, February 1974.

²² Tomas Martinex, The Human Marketplace, New Brunswick, N.J., Tranaction Books, 1976.

tations deflated if they are to have a chance of placement. Which is true would be difficult to judge or determine.

ISSUES IN PEA REGULATION

The private employment agency is obviously an important labor market intermediary with a role of roughly the same magnitude as the public employment service and the newspaper want ad. Miriam Johnson describes the three together as the only intermediaries openly available to the general public.²³ All other intermediaries require membership in some organization or personal acquaintance with someone influential in the recruitment and hiring process.

The PEA's stance in the labor market is much less passive than either of the other public intermediaries. The want ad supplies only information and that not always accurate.²⁴ The public employment service is largely limited by its authorizing legislation to a labor exchange function, securing and matching applications and job orders. It does make employer contacts and sometimes advertises on television to attract applicants and employers. Nevertheless, its stance is more one of alert waiting.

The private employment agency lives or dies by the fee. It advertises widely in the newspapers, using attractive-sounding jobs as a come-on. It sometimes pursues employers for job orders, but probably makes 70 percent of its placements by contacting employers to sell the services of a particular client. Thus, an apt description is that of broker in the labor market. Just surviving in a tough competitive market requires aggressiveness. There may be much that public agencies can learn from PEA practices. On the other hand, if ignoring equal employment opportunity requirements is an element in that success, it should be

²³Johnson; A Bifocal View, op. cit.

²⁴Walsh et. al, op. cit.

stifled.

There are many who have a philosophical objection to anyone having to pay to find a job. Yet there ain't no free lunch. Shall the applicant pay, the employer, or the taxpayer? The private agencies argue that the public employment service should restrict itself to disadvantaged workers, leaving the mainstream to private enterprise. Yet the nondisadvantaged workers are among the taxpayers who pay for the public services. Some have visions of a public job search/recruitment monopoly with all openings listed at one source. Compulsory listings and abolition of private agencies they see as a road to that goal. Yet it is actually the employers only who, in aggregate, have a monopoly on jobs. Evidence suggests they go to a public intermediary, PEA, ES, or want ad, only when they are unable to fill their needs from sources more familiar and more within their control.²⁵ Even a public monopoly would be a monopoly only over the hard-to-fill and hard-to-place portion of the job market.

But as a private profit-seeking enterprise, there are many public functions PEA's are reluctant to fill. They do not, by and large, provide testing, employment counseling, and labor market information as the public agency does.

The PEA's have frequently argued that, if given the assignment for a fee, they could place the disadvantaged more effectively than the public employment service. California in 1971-72 accepted that challenge in a pilot project comparing the relative capabilities of the two in placing disadvantaged persons. The results were a stand-off.²⁶ The public employment service placed 22.3 percent

²⁵ Ibid.

²⁶ Placing The Disadvantaged In Jobs, A four county comparative study of the State of California Department of Human Resources Development Offices and Private Employment Agencies, funded through a grant from the Office of Economic Opportunity, Grant No. CG9831 A/1, December 1972.

of its sample compared to 27.3 percent for the private agencies. Of the public employment service placements, 37.2 percent lasted 30 to 89 days, 16.2 percent for 90 to 100 days, 46.6 percent over 180 days, compared to 32.2 percent, 28.7 percent, and 39.0 percent respectively for the private agencies. The proportions paying \$2.00 per hour or more were within one percentage point of each other. The average costs for the PEA's were \$250.76 per placement compared to \$190.83 for the public employment service. Later in 1974, the ability of private agencies to place welfare and unemployment insurance recipients was again tested without pitting them against the employment service. Of those referred to PEA's, one-third of the welfare mothers and one-fifth of the unemployment insurance recipients were placed in jobs in which one-eighth of the welfare mothers and one-twelfth of the unemployment insurance claimants lasted six months or longer. The State of Michigan has currently underway a similar experiment, but with welfare recipients alone.

A great deal of research is needed to know where the PEA fits into the labor market scene. The private agencies have been extraordinarily resistant to any outside research, leaving many to wonder what they have to hide. Important bits of information needed are:

1. Industry Structure

- (a) Dollar volume of business
- (b) Nature of ownership (franchise, individual proprietorship, corporation, multioffice firms, etc.)
- (c) Number of offices
- (d) Number of professional staff
- (e) Advertising expenditures
- (f) How long in business

2. Placements

- (a) Definition of placements
- (b) Number of applicants per time period
- (c) Number of employer-initiated job orders per time period
- (d) Number of placements per time period
- (e) Industry and occupation of placements
- (f) Wage or salary of job
- (g) Duration of placement

3. Clientele

- (a) Age, sex, race, education of applicants
- (b) Age, sex, race, education of those placed
- (c) Occupation and pay of last job
- (d) Employment status at time of application
- (e) Occupation and pay in which place by applicant characteristic

4. Fee practices

- (a) Proportion employer and applicant paid by occupation
- (b) Average fee per placement
- (c) Fee as proportion of earnings
- (d) Other charges assessed

5. Operating methods

- (a) Qualifications of staff
- (b) Nature and setting of facilities
- (c) Methods of obtaining job orders
- (d) Methods of attracting applicants
- (e) Extent and methods of screening employers and applicants
- (f) Methods of matching job orders and applicants
- (g) Extent and methods of job development
- (h) Services provided to employers and applicants

6. Abusive practices

- (a) Nature of complaints received by regulation agencies
- (b) Validity and disposition of complaints
- (c) Equal employment opportunity performance

Only with answers to these questions can the importance and validity of the PEA role be determined. Many can be answered from user studies, both of employers and workers who have used PEA's. Until these issues are determined negatively, it should be assumed that the willingness of customers to continue paying, especially in competition with a free service, is evidence that they are getting their money's worth. Any one applicant or employer is subject to mistakes in choice of an intermediary, but word spreads and eventually the bad reputation would cut off the flow of customers. It seems reasonable to assume until proven otherwise that at least the employees and employers who pay the fees consider themselves as well served per dollar spent as they would be anywhere else in the labor market. What is the impact of the PEA in the public interest is yet to be determined.

XI. COMMUNITY BASED ORGANIZATIONS AS
LABOR MARKET INTERMEDIARIES

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Community Based Organizations as
Labor Market Intermediaries

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The emergence of community based organizations (CBO) as major participants in the manpower services delivery system is one of the major developments of the past decade. The CBOs are important not only because they expand resources for serving the unemployed and the disadvantaged at the local level, but also because they are strong advocates for continued and expanded public support for employment and training policy. The dual functions of service and advocacy are performed with different degrees of emphasis by different community organizations, but the conjunction of the two roles gives CBOs a distinctive character that influences their image with program participants, employers, and program funding agencies.

This paper will discuss the community based organization as a labor market intermediary. Specifically, the question of interest here will be the role CBOs play alone and in cooperation with other organizations in providing manpower services to improve the income and employment opportunities of unemployed and underemployed disadvantaged workers.

Many manpower policy makers and planners have expressed interest in the participation of community based organizations in the manpower delivery system, especially the impact of CETA on CBOs. Important questions can be raised about who CBOs serve, how well they serve them, and whether the

services might be performed as well by other organizations. Some of the questions can be answered by the factual evidence on the characteristics of participants in manpower programs, the scope and nature of services provided by different manpower service organizations, and the capacity of the employment and training delivery system in local communities.

But not all questions concerning the role of CBOs as labor market intermediaries can be answered by reviewing the empirical evidence on program operations. The very existence of CBOs reflects the desire of indigenous community groups to be involved in the development and implementation of programs to improve the quality of life for the disadvantaged. For this reason, an assessment of the role of CBOs in the labor market must be measured not only by the number and quality of services provided, but also by the degree of confidence, self-sufficiency, and stability generated in the local community by the presence of indigenous, self help organizations. This somewhat intangible feature of CBOs cannot substitute for satisfactory performance in program operations, but it must be one of the major elements in any evaluation of the role of such organizations in the manpower service mix.

The first section of the paper will trace the development of community based organizations in the manpower services field during the past decade. Emphasis will be placed on nationally-affiliated organizations which emerged primarily through private efforts. Some mention will be made of community action agencies created to administer the poverty program, but in this

paper, the role of CAAs in the labor market will be distinguished from that of CBOs.

Next, the role of CBOs under the CETA system will be discussed based on evidence from the literature on manpower program evaluation, and interviews with key officials of major community based organizations and a selected number of prime sponsors. Attention will then turn to some aspects of the role of CBOs as labor market intermediaries, focusing on the service mix, targeting on groups with special needs, and job placement activities. Finally, the paper will discuss some issues important for determining the future role of CBOs in the field of manpower services.

Emergence of CBOs in the Manpower System

Few community based organizations existed in 1962 when the Manpower Development and Training Act was adopted to prepare unemployed and underemployed workers for available jobs. Perhaps the major organization in the field at that time was the National Urban League. The League had a sizeable staff of professionals in its New York City headquarters office and had 28 affiliates in key cities of the North and Midwest. The Urban League program emphasized job placement for minority workers, and enjoyed a notable degree of support from the business community. Job related services were also provided in many cities by YMCA and YWCA organizations, although these groups did not emphasize labor market services.

MDTA and the Disadvantaged

Under MDTA, the Employment Service determined which occupations needed trained workers, recruited and placed the trainees in courses, and found jobs for them when their courses were completed. Public school authorities determined the content of the courses, supplied the teachers, and passed on the qualifications of the individual participants. Employment Service counselors provided counseling and guidance for trainees.¹

Initially, the majority of participants under MDTA were experienced members of the workforce who because of technological change, or other reasons, suffered from structural unemployment. But the availability of training and job openings by themselves did not attract many potential workers, especially in the geographical areas with a high concentration of blacks, hispanics, and other racial minorities.

Moreover, the traditional modus operandi of the Employment Service reduced the number of disadvantaged workers selected to participate in MDTA programs. The Employment Service was accustomed to selecting the better candidates for existing jobs and referring them to employers with whom ES sought to maintain a service relationship. ES saw its role primarily as serving employer needs as the way of getting job orders and placements. For this reason, few in the "hard to employ" population were served. The tendency toward "creaming" had long been a source of criticism from inner

¹Garth Mangum, MDTA: Foundation of Federal Manpower Policy (Baltimore: John Hopkins Press, 1968).

city minorities, and the role of ES in MDTA did little to dispel the suspicion of such groups that they would not benefit from the new manpower policy.

Redirection of Manpower Policy

After 1964, MDTA was redirected toward the disadvantaged generally, and especially toward those in the inner city. Four developments stimulated the change. First, the unemployment of experienced adult workers declined sharply in response to the fiscal and monetary stimulus of 1964 through 1967. The improvement in the employment of adult workers led manpower planners toward new target groups that could benefit from job training opportunities.

Second, the civil rights crisis approached its height with a major emphasis on economic progress for minorities. It is well to recall that the massive "March on Washington", in August 1963 was for "Jobs" and "Freedom", in that order. The inequality of job opportunities generated numerous demonstrations and boycotts led by some civil rights leaders, such as Rev. Leon Sullivan, who later emerged as key figures in the formation of job training organizations. The National Urban League stepped up its job placement activities as well as assuming a more aggressive posture as an advocate of racial equality. The demands by civil rights leaders for government support of equal job opportunities forced high level policymakers to consider using national manpower policy to improve the relative economic status of racial minorities.

Third, the initial MDTA experience, and especially some early Department of Labor "experimental and demonstration" efforts developed an awareness that the lack of basic education limited the ability of many to participate successfully in a training program. The population group with limited education and limited work experience was in special need as compared with the structurally unemployed groups that were the original target of MDTA programs. The early experimental and demonstration projects showed that minority, low-income persons with limited work experience could be reached and trained. Two of the most important early efforts supported by E and D funds were Philadelphia OIC, organized in 1964, and the Workers Defense League-Joint Apprenticeship Program in New York (now the Recruitment and Training Program).²

Finally, changes in the direction of manpower policy conducive to a larger role for CBOs were influenced significantly by the Johnson Administration's "War on Poverty". The Economic Opportunity Act of 1964, the legislative foundation for the war on poverty, authorized funding for a broad range of local community activities directed toward improving the social and economic status of the poor. Further, the Act created several new programs, such as the Neighborhood Youth Corps and the Job Corps, which had important implications for manpower policy. For example, as a result of the new programs initiated by the Office of Economic Opportunity, a much

²F. Ray Marshall and Vernon Briggs, The Negro and Apprenticeship (Baltimore: John Hopkins Press, 1967) and Bernard E. Anderson, The Opportunities Industrialization Centers (Philadelphia: Industrial Research Unit, The Wharton School, 1977).

larger proportion of federal funds than before were directed toward inner city minority groups, and indigenous community leaders arose to share in the planning and implementation of the new programs.

The Community Action Program (CAP) a key component of the war on poverty reflected a social philosophy that the poor and disadvantaged should themselves be involved directly in the design and operation of community service programs at the local level. "Maximum feasible participation" of the poor became a rally cry almost as though participation alone could alleviate the unfavorable conditions of low income, inner city families.

But the emphasis on community participation stimulated local interest in manpower and other social programs, and gave community based organizations legitimacy as government funded social service groups. Prior to the War on Poverty, the few CBOs in existence depended largely on support from the local community chest, business community, non-profit foundations, and other non-governmental sources. The War on Poverty helped create an environment in which CBOs gained access to federal funds to support their activities while remaining strong advocates of social change.

Major CBOs

Community based organizations active in the manpower services field can be divided into two groups: (a) national-affiliates and (b) local independents. The national affiliates include organizations with central administrative staffs and operating programs in several cities. (Table 1)

Table 1

Major National Affiliate Community-
Based Organizations, September 1977

<u>Organization</u>	<u>Number of Affiliates</u>	<u>Manpower Services</u>
National Urban League	109	Outreach, counseling, skills training job placement
National Urban Coalition	15	Outreach, counseling, job placement
Opportunities Industrialization Centers	125	Outreach, counseling, skills training, job placement
Recruitment and Training Program	27	Outreach, counseling, job placement (mainly apprenticeable trades)
S.E.R.	14	Outreach, counseling, job placement

The major national-affiliate CBOs receive funds under Title III of CETA to provide technical assistance to their local organizations. Most funds for manpower services provided by local affiliates of national CBOs are obtained from prime sponsors under Title I of CETA.

Local independent CBOs typically operate in only one community although they might have several sites at which manpower services are provided. Most of the organizations, such as the Ministers Interfaith Alliance in New York City, and the Negro Trade Union Leadership Conference in Philadelphia receive operating funds from state and local prime sponsors to provide specific manpower services. The local independents often conduct programs similar to those operated by local affiliates of national CBOs and in large urban cities it is not unusual for several CBOs to be subcontractors to prime sponsors.

CBOs and Labor Market Dynamics

The importance of CBOs as labor market intermediaries stems from the persistent disequilibrium between labor supply and labor demand in urban labor markets. Many firms have hiring standards that make it difficult to employ disadvantaged workers. Entry level jobs often require high school completion, and satisfactory performance on pre-employment tests. These requirements seriously reduce the employment prospects of disadvantaged workers with weak formal education and little or no preparation for pencil and paper tests.

Hiring standards may become less rigid in the environment of expanding demand for labor. As labor markets tighten, private industry turns increasingly to the less preferred workers. Increasing numbers of workers with poor education and limited work experience can find jobs in the environment of a rapidly growing economy.

Based on their experience in hiring disadvantaged workers in order to meet labor needs during the late 1960s, employers learned several important lessons. First, industry discovered that although many disadvantaged workers could not meet normal hiring standards, performance on the job was comparable to that of other workers after a period of orientation and adjustment to the industrial environment.

Second, firms found that personal problems often interfered with satisfactory attendance and punctuality among many of the disadvantaged. Family difficulties, transportation problems, legal conflicts, and similar troubles were more prevalent among disadvantaged employees than others. Some firms developed special services for helping workers cope with their personal problems, but such help was often unsuccessful, and in any event, firms found it difficult to assume responsibility for such services.

Finally, employers believe that limited motivation, poor work habits, and negative attitudes toward the work environment may be more important than lack of occupational skills in distinguishing the disadvantaged from other workers. Many first line supervisors had serious problems trying to deal with the newly hired workers.

The barriers to employment experienced by disadvantaged workers must be attacked on several fronts at once if such workers are to be brought into the mainstream of the labor market. Some CBOs have demonstrated their capacity to deal effectively with the complex problems of employability development, and as a result, CBOs often enjoy support among local business firms that use CBOs as referral sources.

In hiring the disadvantaged, employers need more than the standard referral services offered by the Employment Service. For many years, the Employment Service devoted most of its efforts to conventional placement and work testing.³ When ES shifted its focus more toward the disadvantaged during the late 1960s, over half its resources were used to perfect the human resource development (HRD) concept. Under the HRD concept, the Employment Service assumed major responsibilities for assessing the employability requirements of unemployed manpower program participants under programs such as the Concentrated Employment Program and the Work Incentive Program. After identifying the need for training or work experience, ES counselors referred clients to training and employment programs in the community.

Yet, despite the need for local comprehensive manpower centers, and the potential reflected in the HRD concept, the Employment Service never

³Leonard P. Adams, The Public Employment Service in Transition, 1933-1968 (Ithaca: Cornell University, 1969), pp. 66-75.

fully addressed the problem of job placement among the disadvantaged unemployed. In fact, at the same time increased attention was being focused on minority employment difficulties, and increasing attempts were made to expand opportunities for low income workers, ES services to unemployed nonwhites actually declined.⁴

Community based organizations have come into the manpower field to fill much of the void left by the inability of governmental organizations alone to deal effectively with the vortex of social and economic problems that limit the opportunity for the disadvantaged and other groups with special employment problems to obtain the assistance they need in order to get foothold into stable, well paying jobs. Because of their roots in the community and their capacity for innovation and creativity in program design, CBOs have more flexibility in adapting their services to the needs of their clients.

For this reason, the CBO as a labor market intermediary is an important supplement to manpower service resources available through the employment service, prime sponsors, local skill training centers and other organizations. Some employers use CBOs as a screening device. Others use them because of the desire to attract minority employees and meet affirmative action goals. Indeed, one of the major contributions of CBOs may be the reduction in discrimination that results from their activities. By focusing on racial minorities, while engaged in a wide range of job development and job placement services, CBOs help broaden the scope of job opportunities for minorities and help employers integrate their workforce. CBOs play a highly visible,

⁴Ibid.

distinctive role in the manpower services delivery system and are likely to continue in that position for some time.

CBOs in the Trade Union Tradition

In advocating the interests of the disadvantaged unemployed, community based organizations have assumed a role similar to that played by the trade union movement on behalf of rank and file workers. Through their organizational and representation activities, trade unions have institutionalized the arbitrament of industrial conflict, and have provided a formal channel through which grievances concerning wages and working conditions can be expressed. CBOs do not enjoy the same rights and protection of formal representation available to trade unions under national labor policy, but they are widely recognized as spokesmen for segments of the population that otherwise might go unheard in the competition for limited government resources for social policy. This is the sense in which CBOs enlarge the power of the poor and disadvantaged to influence the shape of public response to their condition.

CETA and CBOs

The Comprehensive Employment and Training Act of 1973 (CETA) represents a compromise by groups proposing two different views of manpower policy. One group supported full manpower revenue sharing with the federal government providing a block grant with few directions to state and local governments for the planning and operation of manpower programs. The other group preferred

strong federal controls and program direction over manpower planning decisions at the state and local level. The final legislative product was not a victory for either side. Under CETA, state and local governments (prime sponsors) have broad responsibility for manpower planning and program implementation for funds allocated for their area. But a close examination of the legislation, and especially the administrative regulations governing its implementation demonstrates that the federal government retains much authority over the scope and direction of employment and training activities at the local level.

During the debate over the decentralization of manpower policy, representatives of community based organizations expressed serious concern about their role if program funding authority were shifted to local governments. Many CBOs had few ties to state and local political leaders, and in some cases, animosity and hostility existed between the community groups and the political establishment.

Support for Community-Based Organizations

Yet, service capabilities had been built up in many CBOs through funds provided by the Department of Labor, Office of Economic Opportunity, and Department of Health, Education, and Welfare. Moreover, much of the funding through DOL's experimental and demonstration projects had in fact produced innovative and creative methods for serving the disadvantaged population. There was a desire to recognize and preserve these efforts under the new legislation, while expanding local governmental discretion in developing comprehensive manpower plans.

Thus, as a condition for receiving financial assistance under CETA, prime sponsors must submit a comprehensive manpower plan which among other requirements, "provides assurance that (a program) of demonstrated effectiveness is taken into account"⁵ In addition, the prime sponsor's plan must "provide appropriate arrangements with community based organizations serving the poverty community--for their participation in the planning of programs in the plan."⁶ This support for CBOs was reaffirmed and enlarged somewhat in the Youth Employment and Demonstration Projects Act of 1977, the most recent amendment of CETA.

According to the administrative regulations, "programs of demonstrated effectiveness", include CBOs with a history of serving the economically disadvantaged, and with a record of meeting contractual obligations at reasonable cost. CBOs are required to document their past performance and will be compared with other manpower institutions. Uniform standards of performance evaluation must be used, and due consideration must be given to any CBO which offers a proposal for funding.

But these protections for participation in the manpower delivery system do not indicate precisely what, or how much, CBOs should do. Prime sponsors retain a broad range of authority to shape the local manpower service mix and to select subcontractors according to their potential contribution to the overall plan. As a result, some activities performed

⁵Public Law 93-203, 93rd Congress, December 28, 1973, Sec. 105 (a)(1).

⁶Ibid., Sec. 105 (a)(3).

by CBOs under the categorical program funding have been discontinued in some areas, and the scale of operation by some CBOs has been reduced. Conversely, CBO operations have been expanded in some communities.

CBO Labor Market Services Under CETA

The major study of the impact of CETA reported that the Urban League, OIC, and SER were holding their own or increasing the extent of their services under CETA in the twenty eight areas studied.⁷ The number of local projects directed by these organizations increased from 190 in fiscal year 1974 to 253 in 1975, while their combined budgets increased from \$46 to \$74 million.

But while the amount of funds available to CBOs under CETA is a matter of some significance, of much greater importance for labor market impact is the scope of their services. The evidence suggests a mixed experience on this issue.

In some cases, as with the Urban League in St. Paul, and with OIC in Providence, Rhode Island, CBOs have enlarged the scope of their services. In far more cases, CBOs have either been limited to the scope of services they provided before CETA, or have lost funding for some services.

Decisions by prime sponsors to expand or to contract the activities of CBOs usually reflect an attempt to develop the mix of services and subcontractors that will make the local manpower plan most effective. For

⁷William Mirengoff and Lester Rindler, The Comprehensive Employment and Training Act (Washington: National Academy of Sciences, 1976), p. 113.

example, the desire to rationalize the participant flow process in some areas has led to the centralization of intake and placement which narrows the scope of services offered by CBOs. In both Washington, D.C., and Harrisburg, Pa. local OICs lost control over intake and placement, and as a result, experienced some diminution in program effectiveness. On the other hand, some CBOs, while being confined to fewer services, have experienced a broadening of their enrollee population, with benefits in economies of scale in the training effort.

Capability vs. Credibility

Decisions by prime sponsors to trim the scope of labor market services provided by CBOs may also reflect the views of local manpower planners concerning CBO capabilities as compared with their credibility as manpower service organizations. CBO capabilities are often judged by measures such as cost per placement, administrative cost per total operating budget, number of disadvantaged enrollees served, and similar quantitative data. Such measures might place small, relatively inexperienced CBOs at a competitive disadvantage in comparison with other organizations seeking contracts to provide manpower services in local communities.

Quite another view of CBO potential might be gained through an examination of their credibility with the target population, employers, and the community at large. Often the community based organization will have a more positive image than local government agencies among these groups. The positive image often grows out of the close contact CBOs have with grass

roots leaders in the community, and with important representatives of the business sector. High credibility as spokesmen for the disadvantaged, and as important links between "the government" and the community can be very important in helping prime sponsors meet their employment and training goals. The role of CBOs as an "honest broker" between prime sponsors and key sectors of the target population is one of the major contributions such organizations offer to the manpower delivery system.

Only limited information is available on the rationale of prime sponsors in selecting CBOs as service deliverers, but a study of CETA in Ohio confirms the speculation suggested in the comments above. The study is based on an examination of the 17 prime sponsors located in the state.⁸ When asked why they selected community based organizations as service deliverers, most members of the professional planning staffs indicated that the main reason was the desire to emphasize programs in which the CBOs specialized. Decisions to serve particular client groups were cited most often by administrators of CBOs to explain why they were selected. Although limited, these data suggest that prime sponsors view community-based organizations as special purpose groups with a capacity to offer labor market services important in the overall comprehensive plan. As long as program priorities and preferred target groups continue as in current operations, CBOs will continue to compete successfully for participation in the local manpower delivery system.

⁸U.S. Employment and Training Administration, The Implementation of CETA in Ohio, R & D Monograph 44 (Washington: GPO, 1977).

CBO Labor Market Services

The contribution of CBOs to more effective labor market operations may be seen in their capacity for targeting, establishment of service linkages, and expansion of job placement services.

Enrollee Targeting

An examination of the characteristics of enrollees in CBOs demonstrates the capacity of such organization to bring manpower services to population groups that otherwise would be by-passed by other manpower service agencies. Over three fourths of the participants in programs operated by OIC, Urban League, SER, and RTP are racial minorities and Hispanics. In many cases, participants in such programs were not aware of job training and placement opportunities before they were recruited by representatives of the CBO.

In New York City, for example, ASPIRA primarily serves the Puerto Rican population. The organization widely recruits employees in need of employment assistance. Other participants come to the organization because they know they will receive personalized service not available in the state employment service. ES does not have Hispanic personnel to deal with Spanish speaking clients. The language barrier creates a need for special services to Hispanics and justifies the support of Hispanic-oriented CBOs.

In 1976, ASPIRA served a wide range of Hispanic persons in New York (some of whom were college graduates) at a cost of \$2,400 per placement and with a 60 percent placement rate. Program administrators report that some employers prefer to deal directly with the organization in order to help

meet affirmative action obligation. Nonetheless, the CBO fills a void that otherwise would exist in the manpower service delivery system.

Similar examples of targeting can be observed in the operation of OIC, the Urban League, and other CBOs. In fact, some prime sponsors have reported that their main justification in selecting CBOs is the impact on targeting.⁹ But this objective is not uniform across all prime sponsors. Some CBOs have been required to diversify their enrollee population beyond special racial and ethnic groups served under pre-CETA programs. Such requirements are often made to increase the utilization of training facilities or to consolidate the flow of trainees through the manpower system. In either case, requirements for CBOs to broaden their enrollee mix reduces somewhat the rationale for selecting CBOs, and often threatens to diminish the availability of manpower services to the special target groups served by the community organizations.

Service Linkages

The range of manpower services offered by CBOs varies widely among organizations and among locations throughout the nation. But one recurring feature of CBO operations is the linkage forged between such organizations and other manpower service resources in the community.

⁹Anderson, *op. cit.*, p. 57.

Perhaps the major example of this is the outreach function pioneered by CBOs and now a key feature of many local manpower programs. The Recruitment and Training Program, a major community-based organization that emphasizes preapprenticeship courses, developed a high degree of credibility on the strength of its performance in outreach activities. Recruitment machinery is placed in locations easily accessible to RTP's black and Hispanic target groups and program enrollees are attracted into pre-apprenticeship counseling, tutoring and coaching.

RTP is closely linked with building and construction industry unions, and as a result, has been instrumental in expanding the participation of minorities in skilled apprenticeship programs. For example, between 1968 and 1972, the Brooklyn RTP office placed 137 apprentices in the electrical trade, 83 in plumbing and 58 in sheetmetal work.¹⁰ Seventy nine percent of those placed were black and eighteen percent were Puerto Rican. Prior to the intervention of RTP in the construction industry labor market, there was no systematic linkage between minorities seeking apprenticeship training, and the apprentice selection committees controlled by the trade unions. Now a number of CBOs, including the National Urban League LEEP program, Negro Trade Union Leadership Conference, and others also perform this function.

OIC has also served as an important linking mechanism in the labor market. The organization is widely noted for its close working relationship with the business community. In fact, in some areas, OIC's credibility with employers

¹⁰ Ernest G. Green, "Apprenticeship: A Potential Weapon Against Minority Youth Unemployment," in National Commission for Manpower Policy, From School to Work (Washington: GPO, 1976), pp. 201-221.

as a job training and placement organization exceeds that of government organizations, including prime sponsors and the employment service.

An example of how the OIC-employer relationship can pay off in benefits to the disadvantaged is revealed in the case of the General Electric Hotpoint plant in Chicago. When the company started hiring significant numbers of minority workers during the late 1960s, personnel problems cropped up in the plant. Some of the problems stemmed from the reduction in attendance and punctuality associated with the new workforce. Other problems, not unrelated to the above, stemmed from conflict between lower-level company supervisors and foremen and the new minority workers. Company efforts to deal with the problems through in-house training and orientation programs did little to help.

The company developed a working relationship with the local OIC because of its reputation as an organization that emphasized motivation and attitudinal preparation for industrial employment. OIC enrollees were referred to GE after completing their prevocational training. In time, plant managers reported an improvement in the quality of work performed by the disadvantaged employees and attributed the change to the efforts of OIC.

This example illustrates one of the advantages of CBOs, namely, their flexibility in forging linkages with the business community in bridging the gap between workers who need jobs, and employers who need workers, but are unable to provide effective orientation and training for urban disadvantaged workers with no experience in industrial employment.

Placement Services

The GE Hotpoint - OIC case also illustrates another important feature of community-based organization as labor market intermediary: employers often view CBOs as screening mechanisms in the job placement process. CBOs with a credible record of performance in job placement and with good follow-up capabilities can perform the task of "certifying" program participants for serious consideration by firms with whom the CBO has an established relationship. Employers often criticize the employment service for referring job applicants who are unqualified for work, and who are unprepared for job interviews and other pre-employment requirements. Representatives of the Employment Service deny this charge, but the view is widespread among many employers in urban areas.

Community-based organizations can, and often do, develop close relationships with employers on a one to one basis, and tailor their referrals closely to the employer's needs. An example of this was observed when the Philadelphia Urban League, under a contract with the local prime sponsor, organized a referral system for on-the-job training in 1974. The program focused exclusively on clerical workers, and was designed to place unemployed workers in available jobs. Employers were requested to hire trainees referred by the Urban League, and to give them training on the job for one year. In return employers could receive \$35.00 per week per employee for 52 weeks.

Despite the low rate of wage reimbursement, and the almost prohibitive paper work involved (a 17 page contract signed in triplicate by the employer) 185 persons were assigned to OJT positions. This represented an 85 percent placement rate, and six months after placement, 90 percent of those hired were still on the job. This record of performance was especially notable because the placements occurred during the depth of the 1974-1975 recession when most firms in Philadelphia were not hiring new employees.

It would be incorrect to suggest that CBOs as a group have exemplary placement records or that the disadvantaged unemployed are not served adequately by other manpower service agencies. In fact, some CBOs fall far short of satisfactory on this score. But there is sufficient evidence to conclude that well managed, experienced CBOs provide important placement services that enlarge the domain of job opportunity for disadvantaged workers. Undoubtedly this is one reason CBOs have had increases in their funding level since CETA was inaugurated. In Ohio, for example, 82 percent of the CBOs received increases in their budget during fiscal years 1975 and 1976, while only 38 percent of the Employment Service components of the manpower system received additional funds from prime sponsors.¹¹

¹¹Employment and Training Administration, op. cit., p. 21.

The Road Ahead

The role of community-based organization as manpower service deliverers will continue to be a question of interest and debate as new developments unfold in manpower policy. Additional demands are being made on the nation's employment and training system as attempts are made to lower unemployment without exacerbating inflationary pressures. Budgetary projections show an increase in funding for manpower programs, and although the bulk of additional funds are earmarked for public service jobs, increased resources will also be put into comprehensive manpower services.

Employment and training policy is now viewed as a major device for helping resolve problems such as welfare dependency and youth unemployment. The new \$1.0 billion Youth Employment and Demonstration Projects Act of 1977, and the proposed Better Jobs and Income Plan both call for enlarged activity by prime sponsors in the manpower field. A critical issue in all of the scenarios for the near future is the capability of the delivery system to absorb the increase in demand and to use the resources in a manner most likely to achieve national objectives.

Among the most important goals is the direction of resources to those most in need, and to provide them with services that increase their chances for employment in stable, well paying jobs. The unemployment statistics offer a guide to the groups most in need. Unemployment among blacks has increased steadily as total jobs in the economy have expanded. Black youth, in particular, continue to experience unacceptably high rates of joblessness.

Moreover, job opportunities in major urban areas continue to be inadequate in relation to the needs of the labor force. Many cities in the Northeast and the Midwest have lost thousands of semiskilled manufacturing jobs of the type new entrants into the labor market often fill. These conditions have left in their wake a residue of economic decay and urban blight that threaten the tranquility of many communities.

The role of community-based organizations as labor market intermediaries must be viewed against the backdrop of these conditions. CBOs cannot turn the tide of urban development, or work miracles in providing manpower services where few jobs and other economic opportunities exist. But CBOs are part of the set of local community resources that might be marshalled in support of efforts to help the unemployed through federal funding initiatives.

Under CETA, prime sponsors have the responsibility to design programs that will help relieve the employment problems of the disadvantaged. Targeting the resources on the areas and groups of special need will continue to be a matter of great interest. To the extent that CBOs can assist in this effort, their participation as service deliverers will be essential.

But another requirement is that available manpower resources be used to best advantage. This will require the consolidation of program services in some cases, and an improvement in the linkage of services in others. In the process, continuous examination will be required to determine the most appropriate roles for CBOs. In some cases, the development of an effective labor market job matching system may require the support of CBOs operating as comprehensive manpower service organizations. In other cases, CBOs might perform more

effectively as functional specialists in the total system. Decisions should be based on past performance and future potential as reflected in the capabilities of CBO staffs as compared with alternative service deliverers.

CBOs and PSE

A major question that remains is what role CBOs can play in a significantly enlarged public service employment program. A clue to the answer might be found in the revised PSE program in the economic stimulus package. In implementing the PSE program, prime sponsors are required to place the long-term unemployed and welfare recipients in projects that last no more than one year. The "project" PSE is designed to minimize the substitution effect, ie., the tendency for federal funds used to support PSE to merely substitute for state and local funds that otherwise would have been spent to hire workers.

In some communities, prime sponsors have invited CBOs to submit proposals for hiring PSE participants in projects developed for that purpose. This plan will increase the participation of CBOs in job creation efforts and expand their capacity to serve the unemployed. Beyond the direct job creation efforts, however, some CBOs like the Urban League and OIC have proposed ways to provide job training for PSE participants in order to increase their chances for obtaining unsubsidized jobs when the PSE funds expire.

CBOs will be involved in the new Youth Employment program under YEDPA. The Act lends itself to involvement by local community groups with a capacity for forging linkages between prime sponsors, public school systems, and employers. The task of improving the transition from school to work is

formidable and will require the assistance of all local organizations in the manpower services field. Some CBOs, such as RTP, Urban League, and OIC, have a long track record in serving youth, and will undoubtedly expand their activities toward this group under the new legislation.

Conclusion

A "labor market intermediary" is an organization involved in providing information and placement services designed to improve efficiency in labor mobility. This broad definition covers a wide variety of activities that are found in local labor markets.

Community-based organizations are special purpose groups whose very existence reflects the failure of labor markets to operate effectively for all population groups. In some cases, the market does not operate for some individuals because they do not have adequate information about jobs, or do not know how to use available information effectively. In other cases, individuals may be excluded from participation in the labor market because of non-existent or obsolete job skills. In either case, labor market intermediaries are necessary to fill the gaps in training and job information and increase the potential for individuals to obtain and to keep stable well paying jobs.

CBOs have emerged as major actors on the manpower services stage to supplement the employment and training resources available in the labor market. Their activities help reduce unemployment, especially among disadvantaged minorities, and their presence lends an extra measure of stability to the communities in which they are located. The development of CBOs expands the opportunity for

community groups to be directly involved in the design and implementation of publicly supported programs to improve the quality of life for the disadvantaged. This is a feature of CBOs that might be among their more important long term benefits.

XII. FROM SCHOOL TO WORK: THE EXPERIENCE
OF BELL & HOWELL SCHOOLS IN MATCHING
GRADUATES TO CAREERS

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I. INTRODUCTION

The level of unemployment in the United States is probably the single most serious domestic problem. There is widespread dissatisfaction with the way education prepares students for jobs. The news media describe the problems of special groups, such as the young, nearly one-half of the nation's unemployed are under 25, minority group members with an unemployment rate nearly twice as high as whites, and residents of the inner city and rural poverty areas. There are personal stories of college graduates driving taxis or selling shoes and of girls with bachelor's degrees in education who get no closer to the classroom than driving the school bus. The gap between education and work occurs because much of education has been only loosely related to available jobs. At the same time, there is a frequently overlooked educational resource consisting of profit-making postsecondary vocational schools. There are several thousand such trade and technical schools with the single objective of preparing students for employment. Bell & Howell Schools is a system of eight such schools. In the following pages we have described how graduates are matched to careers with particular emphasis on the placement process--the critical link in the transition from school to work. To start, we have summarized the success Bell & Howell Schools has had in placing graduates in jobs related to their training, in meeting manpower demand for trained electronics technicians and technologists, and in training students who come from groups which often have problems in the search for employment.

A. Program Accomplishments

1. Placement and Salaries

In 1976, Bell & Howell Schools placed 2,486 graduates in jobs related to their training within 90 days of graduation. This number represents 93

percent of all graduates who requested placement assistance.^{1/} A placement rate of 92 percent or better has been maintained each year since 1972.

Graduates of the technician program during 1976 started at an average monthly salary of \$757, or slightly over \$9,000 per year. Graduates with an Associate Degree started at an average of \$845 per month, or slightly over \$10,000 a year, and graduates with a Bachelor's Degree started at an average of \$964 per month, slightly over \$11,500 per year.

2. Meeting Manpower Demand

From January, 1972 through June, 1977, Bell & Howell Schools awarded 15,586 degrees and diplomas. This number represents approximately 13,000 graduates because some of the students who received Associate Degrees continued on in the bachelor's program to receive a second degree. The number of graduates in 1976 was more than twice as great as in 1972. These graduates represent a substantial share of the newly-trained manpower needed by the electronics industry. The number of Associate and Bachelor's

^{1/} In 1976, 3,186 students graduated and left school. 2,684 (84%) of them requested placement assistance. An additional 524 students received Associate Degrees, but continued on in the Bachelor's Degree program and did not leave school. They were, therefore, not available for employment.

Ninety days is used as a measuring point, but placement efforts go on after that date and additional graduates are placed. Students who put some kind of restriction (usually geographic) on their employment search are harder to place. Roughly 3 percent of the graduates typically are not placed at the 90 day point for this reason. Graduates who do not request placement fall in several categories; they are entering the military, continuing their education at another school, already have an electronics or non-electronics job which they wish to keep, want to take time off before looking for a job, or simply don't respond to offers of placement assistance.

Degrees in Electronics Engineering Technology from schools with Engineers' Council for Professional Development accredited programs was reported by the Engineering Manpower Commission for 1975. Bell & Howell Schools accounted for 39 percent of all such graduates.^{2/}

3. Training Where It's Needed Most

Groups known to have high rates of unemployment or below average earnings include young people without training, individuals who come from lower income families, minorities, and residents of inner city and rural poverty areas. While we do not have complete statistics, the following percentages from 1976 give some insight into the Bell & Howell Schools student population.

Minority Graduates: 21%

Fall 1976 Survey of Enrollees - Selected Characteristics of Students:

From Families with Gross Income	
Under \$6,000	15%
Father's Occupation: Laborer	23%
Father's Education: Less than High School	34%
Parents: Divorced, Separated,	
Deceased ^{3/}	29%
From Families of Six or More	56%

^{2/} Alden, John, "Engineering and Technology Degrees, 1974-75," Engineering Education, (April, 1976), pp.749-753.

Note: Bell & Howell Schools awards Associate Degrees to all students who successfully complete seven trimesters of the Electronics Engineering Technology program. Those who go on (typically over 50 percent of associate graduates) and complete two additional trimesters also earn a Bachelor's Degree.

Since this is not the typical pattern for other ECPD schools which often offer only the associate program or the bachelor's program and where students are unlikely to be awarded both degrees, we have eliminated those of our associate graduates who continue on in the bachelor's program from both our statistics and the EMC statistics in calculating the 39 percent figure.

^{3/} From 1975 survey.

While a precise estimate is not possible, we believe that roughly 3,500 students from groups which are in some way disadvantaged in the job market have graduated from Bell & Howell Schools in the past five and one-half years and obtained jobs--jobs that will start them on long-term careers.

B. Description of Bell & Howell Schools

1. Schools

Bell & Howell Schools is a system of eight institutes of technology--seven in the United States and one in Canada--with a total enrollment of approximately 10,000.^{4/} All the schools offer accredited electronics programs which prepare students for careers in electronics. Bell & Howell Schools is a subsidiary of Bell & Howell, which acquired DeVry Technical Institute in 1966. DeVry originated as DeForest Training School in 1931 and has offered training in electronics for over 45 years. At the time Bell & Howell acquired DeVry, there were schools in Chicago and Toronto with approximately 3,000 students enrolled. Since that time, four schools have been opened and two have been acquired.

2. Programs

To be effective, technical education must provide students with the practical job skills needed for immediate job placement and with the fundamental conceptual understanding required to cope with rapid technological change during their careers. Meeting these objectives requires longer and more rigorous programs than are often envisioned.

^{4/} Schools are located in: Atlanta, Georgia; Chicago, Illinois; Columbus, Ohio; Dallas, Texas; Kansas City, Missouri; Phoenix, Arizona; Toronto, Canada; Woodbridge, New Jersey.

Bell & Howell Schools offers three programs in electronics which differ in length and complexity:

Electronics Technician Diploma	18 months
Electronics Engineering Technology	
- Associate Degree	24 months
- Bachelor's Degree	31 months

The Electronics Technician program prepares graduates to perform skilled maintenance and servicing of a variety of electronics products. The Associate Degree program in Electronics Engineering Technology includes more mathematics and theory than the technician program: it prepares graduates to perform more sophisticated troubleshooting and to design and construct electronics equipment as visualized by an engineer. By taking two additional trimesters emphasizing management and advanced technical subjects, the graduate of the Associate Degree program receives a Bachelor's Degree in Electronics Engineering Technology (BEET) and has the background to advance to positions with management or supervisory responsibilities.

3. Accreditation

The seven United States schools are accredited by the National Association of Trade and Technical Schools (NATTS). The degree programs offered by six of the seven United States schools^{5/} are recognized and accredited by the Engineers' Council for Professional Development (ECPD). This organization is sponsored by participating bodies of engineering societies for the purpose of promoting engineering and engineering technology curricula in public and private institutions of higher education throughout the United States. The technology programs in the Toronto school are accredited by the Ontario Association of Certified Engineering Technicians and Technologists.

C. Why It Works

The process works because it is based on the essential principles of marketing. First, there is a need--in this case the need for trained electronics technicians and

^{5/} The exception is the Woodbridge school which because of state regulations does not grant a degree although the program is the same as in the other schools.

technologists. Second, a way must be found to fill that need--training must be designed to meet the requirements of industry, starting with the skill levels of entering students--a complex process because it must provide for individual differences. Finally, the product must be sold. For a school, that selling is called placement. The following paragraphs summarize these three major elements--manpower demand, training, and the placement process--and specific features which have been the key to the success of Bell & Howell Schools in matching graduates to careers.

1. Industrial Manpower Needs^{6/}

The number of electronics technicians working in the electronics industry in 1974 was 612,000 and is projected to climb to 802,000 by 1979. Because of the short supply of trained electronics technicians, demand will continue to exceed supply. Based on data from the Engineering Manpower Commission and the National Industrial Conference Board, we estimate that for 1975 the demand, annual openings due to both growth and replacement, was almost double the supply^{7/} of electronics technicians and technologists, 28,977 and 14,553, respectively. By 1979, demand is estimated to exceed supply by 42,031 to 25,453.

This demand is essential to successful placement. No matter how good the quality of a school's educational programs, how knowledgeable and skilled in teaching its faculty, or how outstanding its students, the graduates will not find jobs related to their training if the skills they have acquired are not needed.

Research is done on a continuing basis to determine manpower needs, specific job requirements, and the degree to which the curricula are currently meeting employer needs. There is an organized system for translating the results of this research into changes in the curricula.

^{6/} Sources: BLS Bulletins 1723 and 1875--Occupational Projections and Training Data, 1976 and U. S. Industrial Outlook 1976 with Projections to 1985. Rhine, Shirley H. and Creamer, Daniel, The Technical Manpower Shortage: How Acute? (New York: National Industrial Conference Board, 1969) pp. 29-34.

^{7/} Graduates of postsecondary programs with training in electronics.

2. Supply

A corollary to success in filling manpower needs is success in finding people who are interested in the training required. People want employment, but they must know about available jobs, find a prospective career which fits their interests and abilities, and obtain the skills needed to function effectively in that career. Employment projections and career descriptions may require wider dissemination or more effective communication because many individuals unknowingly obtain training for fields in which the supply of trained personnel already exceeds the demand by a wide margin. Bell & Howell Schools' recruiting of new students helps avoid such mismatches because it is directed at informing high school students about careers in electronics. A film which shows individuals working in a variety of electronics careers, such as computers, medical electronics, telecommunications, automotive electronics, nucleonics, energy exploration, instrumentation, and research, is shown in high schools. This film was shown to approximately 230,000 high school seniors in roughly 7,500 high schools by Bell & Howell Schools representatives during 1976.

3. Training

Training in Bell & Howell Schools is rigorous and is designed to meet the needs of students as well as employers. A remedial program, modern equipment and facilities, and a teaching faculty with practical experience are all important. In addition, other aspects of the schools are consistent with the working world and are an essential part of the training. For example, part-time jobs held by 71 percent of the students and required classroom attendance require businesslike schedules and self-discipline.

4. The Placement Process

Placement personnel take a sales approach to placement. Both graduates and employers are treated as customers, and Placement Directors try to anticipate and meet the needs of both. For students, a sales approach

means that they are actively sought out and helped. The placement process starts early--at least two trimesters before graduation. Deadlines are set and the process is structured to ensure frequent contact between students and the Placement Director. There is a system of tracking and reporting on the placement status of every graduate. Simply knowing the status of every student is critical to being able to do something about it. Placement reports are closely monitored and Placement Directors are held accountable for measurable results, the number of graduates placed in jobs related to their training within 90 days after graduation, and not for how many conferences they hold, how many recruiters they contact, or how many students they counsel.

II. THE PLACEMENT PROCESS

Placement assistance is offered through the Graduate Placement Office to all graduating students. Each school has a Placement Director who reports to the National Vice President of Graduate Placement. The basic system is the same in all schools, but there are some variations to meet local needs. In total, more than \$350,000 a year is spent, and 21 people work to assist graduates in finding employment.

A. Working with Students

Long before graduation, students have a variety of contacts with the Graduate Placement Office. The Placement Director visits all entering classes to describe job opportunities in electronics. Other contacts come from a placement newsletter which is sent to all students once a trimester. The newsletter reports on recent alumni and their careers, features special fields of interest within electronics, lists companies currently recruiting, and offers tips to students on career planning. The schools also host Career Fairs where firms which employ Bell & Howell Schools graduates use booths to display their products and describe their company. Representatives of the companies talk informally to students and faculty and tour school facilities. Students, parents, and faculty get an opportunity to see firsthand things that are happening in the electronics industry.

The Placement Directors comprise a highly-organized, enthusiastic, hard-working group of people, and to say that they "offer" placement assistance to graduates is a little like saying Vince Lombardi "offered" advice to the Green Bay Packers. Most Placement Directors have a sales background and see their jobs as a two-sided selling process--selling employers on hiring graduates and selling graduates on actively participating in all aspects of the job seeking process.

1. Classroom Briefing and Credentials Development

When a student is in the next to last trimester of a program, his or her contact with the placement office begins in earnest. The Placement Director discusses

with each graduating class how the Placement Office assists students and what they need to do to assist themselves. By this time almost all students have had some experience working in a part-time job, but have had no contact with the kind of sophisticated recruitment/selection process that goes into a company's selection of a permanent employee.

At this first meeting, students are given a general overview of what recruiting is like, including companies likely to come on campus to recruit. They are told what the job market is like, including salaries, and are shown the advantages of using Bell & Howell Schools placement assistance rather than using an employment agency or trying to do it on their own. Detailed information is distributed describing placement activities, the importance of personal appearance, interviewing techniques, resume and cover letter preparation, career self-appraisal, acceptance and non-acceptance letters, questions frequently asked by recruiters during interviews, and techniques for locating prospective employers in their home town.

Each student then starts to develop his credentials. This begins with a self-appraisal in which he is asked to review his work history, school experience, hobbies, and activities and to answer for himself such questions as why he chose electronics as a career, why he decided to be a technician or technologist, and what his interest and long-run career goals are. By analyzing the things he enjoyed, was successful at, and would like to do more of, a student begins to have some idea of the strengths he has to offer an employer and what he should be looking for in a job. By the time he completes a self-appraisal, the student has gathered in raw form all the information he will need to prepare a resume. A deadline is set, generally four weeks, for the submission of credentials to the Placement Director.

2. Individual Counseling and Credentials Follow-Up

During the time between the class briefing and the deadline for completion of credentials, students are invited to set up a conference with the Placement Director to discuss career goals, problems with resume preparation,

and special needs, such as a desire to find a job in a specific location. The Placement Directors contact certain students and request that they come in if they spot a potential problem, such as a low grade point average.

Credentials must be submitted before the second placement conference which takes place near the beginning of the last trimester. At this time, students register for placement assistance by filling out a Permanent Placement Record which includes current and permanent addresses and telephone numbers, approximate grade point average, whether placement assistance is desired, whether education is going to be continued, whether the student already has a full-time position upon graduation, the student's preference for geographical areas, and the type of electronics work desired. At the same time, the schedule of recruiters planning to come for on-campus interviews is discussed as well as any problems with individual credentials. In accordance with the needs of the graduating class and the special requirements of recruiters, the Placement Director continues to meet with the class group throughout the recruiting employment process.

3. On-Campus Interviews

A company's recruiting visit typically begins with a classroom presentation describing the company, location, available jobs, various benefits, and other pertinent facts. The presentation is given by company representatives to students from the technician or technology program, as appropriate, and is scheduled prior to the start of classes for the day. After this presentation, interested students sign up for individual interviews which are held in private cubicles or offices. Placement Directors set up as many on-campus recruiting visits as possible, because it provides the most efficient way for students to receive maximum exposure to employers. Roughly 60 to 80 percent of a typical graduate's interviews are held on campus.

4. Off-Campus Interviews

Placement Directors post information about job openings for which there will be no recruiters on campus on a placement bulletin board located in a high traffic

area of the school. Students receive an updated list of all such job leads usually on a weekly basis. Job openings requiring an off-campus job interview are also described in scheduled meetings with the class. The Placement Director screens graduate records and contacts individual students who have expressed an interest in a particular field, and often sets up appointments with the prospective employer.

5. Relocation

A major consideration, which varies by school, is relocation. For example, in the Chicago school most students are from Chicago and find jobs in the immediate area. In other schools, most students come from outside the area and there are few major employers near the school or their homes--Columbus and Atlanta are examples. Students are counseled on the need to relocate and often assisted in the details of the move. Graduates who cannot relocate are assisted with placement, but with the understanding that they have limited their opportunities. When graduates have a desired location, the Placement Directors work with them in developing active job leads in that area.

6. Follow-Up Assistance After Graduation

Placement efforts extend well beyond graduation. The Placement Director maintains contact by mail and by phone, usually weekly, sending students leads for job openings. Students also call the Placement Office collect with questions or problems. This process continues until an individual is placed or no longer responds.

7. Individualized Attention

Besides structured meetings, students receive a great deal of individual attention to deal with a wide range of potential problems. Examples include:

- Tips on how to handle interviews, including the use of personnel from outside the school to conduct practice interviews.

- Counseling a student who has not done well in an interview. As an example, when asked where he would like to be in five years time, one student answered that he hoped to be back running his dad's farm. The student wasn't hired and after talking to the Placement Director he understood why a company might question the likelihood that he would be a long-term employee.
- Help with overcoming personal problems or handicaps. A student with an arrest record, for example.
- Help with problems in taking tests. Sample employment tests, which students can use for review and to overcome fear of testing, have been developed.
- Counseling on what is involved in different kinds of electronics jobs and how this relates to individual preferences.
- Help with evaluating offers.

B. Working With Employers

In order to successfully assist graduates in finding jobs, there must be sufficient job leads to accommodate graduating students. To develop job leads, a Placement Director will have contact with hundreds of companies which employ electronics personnel; working with employers is a major part of his job. Many of the largest electronics firms in the world recruit regularly at Bell & Howell Schools. This repeated recruiting results from success in meeting manpower needs on a continuing basis. The Placement Director develops job leads for graduates by maintaining the satisfaction of current recruiters and by contacting prospective employers and interesting them in recruiting graduates.

1. Sources of Prospective Employers

A variety of sources are used to identify potential employers. These sources include publications such as the Electronic Buyers' Guide, The College Placement Annual, Electronic News, the IEEE Magazine,^{8/} newspapers,

^{8/} Institute of Electrical and Electronics Engineers, Inc.

and telephone directories. It includes contacts with organizations such as the National Association of Service Managers, regional associations of electronics manufacturers, and local organizations such as Chambers of Commerce. A wide range of informal sources, such as students, alumni, referrals from one branch of a company to another, and referrals from one Bell & Howell School to another, are vital.

On-campus recruiting visits and off-campus interviews are solicited by mailing letters announcing class graduation dates and inviting employers to recruit. These mailings are designed to give a prospective employer an overview of the training that graduates have received, the advantages to employers of recruiting Bell & Howell Schools graduates, and the assistance recruiters can expect from the placement office. Interested employers are sent a book containing the resumes of all graduates from the programs in which they have expressed interest. Mailings are followed up by phone calls. Placement Directors also make personal presentations to prospective employers who have not previously recruited.

2. On-Campus Recruiting

When a recruiter comes on-campus to interview, all students graduating from the appropriate program are encouraged to attend the classroom presentation given by the company's representatives. This is an efficient way for recruiters to sell the benefits of their company to a large group of students.

Employment tests, if required, are given at this time. At the conclusion of this session, the Placement Director provides each interviewer with a private place for interviewing, an interview schedule, and the employment credentials of the graduates he will be interviewing. Placement Directors are available at all times during a recruiter's visit. Lunches are used as an informal way of getting the President and Deans of the school together with recruiters; this provides a valuable source of feedback on programs, students, and changing industrial requirements. When job offers are made, the Placement Director follows up to see that graduates respond in a timely fashion.

3. Off-Campus Recruiting

For employers who do not recruit on campus, the Placement Director makes sure that graduates are aware of the job and that the desired number of students go for an interview. He follows up with both the student and employer after the interview.

4. Personalized Service

Examples of personalized services provided to recruiters include:

- Help in identifying the aspects of the jobs which will most appeal to students.
- The preselection of students, including screening of the graduates' own expressions of job interests.
- Extending recruiting hours into the evening, so an out-of-town recruiter can finish in one day.
- Prompt action and a minimum of red tape. A company calling with a job opening will ordinarily have graduates to interview within three to five days.
- Contacting a number of students that an employer wants to see for a second interview and arranging appointments for them.
- Discussing interviews with recruiters, including reasons why a recruiter may have lost a candidate.
- Making sure the graduate understands the positive and negative features of a company or job when evaluating an offer.

This kind of service has been instrumental in building close relationships with employers, many of which recruit students from each graduating class.

C. Reporting and Accountability

1. Keeping Track of Graduates; Reporting Placement Results

The tracking and reporting system is a critical part of the placement process. The Permanent Placement Record was described earlier. In addition, the placement office maintains a file on each graduate which includes his employment credentials (resume, references, autobiography, transcript) and other records of the placement process (survey forms showing reasons for not seeking employment, follow-up on the graduate's employment status, reports on a job accepted, notes on office visits or active job leads, and any correspondence with the graduate after graduation).

A Graduate Placement Report is prepared for each graduating class by program, listing all students in the class along with their addresses, phone numbers, grade point averages, results of their employment search, and any relevant comments. Once employed, the report shows the employer's name, address, phone number, and contact, as well as the job title, duties, and salary. For any student who is not using placement assistance, the report shows the reason for not seeking employment. This report of individual status is issued by each school 30 and 60 days prior to graduation, at graduation, and 30, 60, and 90 days after graduation.

This report is used to document final placement statistics 90 days after graduation. This time represents a reference point for measurement of the effectiveness of the placement process. Graduates continue to receive assistance as needed and obtain jobs after that date.

In addition to these individualized monthly reports, Placement Directors report weekly on the collective placement status of the graduates of each program. This kind of tracking system prompts frequent review of individual status, points out where positive action needs to be taken, and continually focuses attention on the results to date. In addition, by having early indications of placement status reported nationally, it is possible to reschedule some recruiting trips so that there are not too many recruiters at one school and too few at another.

2. Reports of Recruiter Activity

Placement Directors submit a weekly Recruiter Activity Report which gives information on the potential recruiters they have contacted, which recruiters have scheduled a recruiting visit, the number of job openings they have, and the programs in which they are interested. This report provides an early indication of the potential number of jobs available in relation to the number of graduates for each class.

D. History of Placement Results

The organization of placement assistance began to take the form described in this paper in 1972 in terms of personnel assigned, resources committed, actions taken in recruiting prospective employers, and national reporting and accountability for placement results. The number of graduates has more than doubled since that time. The placement organization has been able to meet that growth and cope with a severe recessionary period without having the percent of graduates placed drop below 90 percent for any year since 1972, as shown in Table 1.

1. Companies Which Hire

Over 600 companies hired Bell & Howell Schools' students during 1976. Of the top 50 electronics companies listed by Electronic News in the July 11, 1977 issue, 35 hired Bell & Howell Schools graduates during 1976. The top 15 employers of Bell & Howell Schools' graduates during 1976 (hiring from 21 to 98 graduates each) include:

<u>Employer Name</u>	<u>Product Category</u>
Automatic Electric	Communications
Texas Instruments	Office Equipment
Sandia Laboratories	Federal
ISS-Sperry Univac	Computers
Motorola, Incorporated	Telecommunications
Digital Equipment	Computer Systems
National Semiconductor	Active Components
(Continued)	

<u>Employer Name</u>	<u>Product Category</u>
(Continued)	
IBM	Computer Systems
Singer Corporation	Computer Systems
Wescom	Telecommunications
Burroughs	Computer Systems
Bell Laboratories	Communications
Hughes Aircraft	Federal
Xerox	Electro-Mechanical
Picker Corporation	Bio-Medical Instruments
G. E. Medical	Bio-Medical Instruments

The preceding pages have described the placement process, the ways in which the placement office serves two sets of clients--graduates and recruiters, and placement reporting and results.

III. CEMENTING THE RELATIONSHIP BETWEEN TRAINING AND WORK: SPECIAL FEATURES OF BELL & HOWELL SCHOOLS

Preparing individuals for jobs is the reason for the existence of Bell & Howell Schools. Not just the placement functions but all aspects of the program are designed for this purpose.

A. Forecast of Manpower Need and Job Requirements

An essential element in matching people to available jobs through training is the ability of schools to change their training to meet the changing needs of industry. This is particularly important in a highly technological field. Bell & Howell Schools has a continuing program of research designed to forecast the near and long-term changes in technology, product development, and related industry growth. These forecasts are used to estimate both the number of technicians required and the specific skills that will be needed.

A standardized system of classification of electronics hardware has been developed together with a list of 28 standard job duties. These are used as the framework for data collection. Data for forecasting is collected by Bell & Howell Schools from a variety of sources. Key personnel in companies that employ electronics technicians are interviewed and Bell & Howell School's alumni are interviewed. In both cases not only are future developments considered, but current job requirements are also reviewed. Both alumni and employers rate various areas within the curriculum on how closely they are related to current job requirements. Statistical data and forecasts published by governmental agencies and trade associations are also analyzed.

B. Curriculum Design

All this information is utilized to identify emerging trends in manpower needs. Curricula are then evaluated to ensure that programs are appropriate to the demand for technicians. Manpower needs and job requirements are used in determining the final instructional

objectives of each program. Curriculum development committees consisting of faculty representatives from each school work backwards to determine specific courses which are to be taught in each program and the instructional objectives of each course. This systematic method of curriculum design provides as much assurance as possible that students are trained to meet real manpower needs.

C. "Hands On" Approach to Training

All of the schools have extensive laboratory facilities which are used intensively. Laboratory classes account for from 20 to 30 percent of instructional time.

At the same time, the value of "Hands On" training must not be overemphasized at the expense of regular classroom instruction. Training based on experience only (such as on-the-job training) tends to teach people "how" but not "why." It frequently provides a narrower range of job skills and not the breadth and flexibility required for long-run employability. A well-coordinated mix of theoretical and practical training provides immediately useful job skills as well as the theoretical base needed for continued employability.

D. Teaching

The competence of the faculty is clearly of critical importance. The instructional staff includes almost 200 full-time instructors, a small number of part-time instructors, and over 200 faculty assistants. Faculty members are selected for their ability to teach, their knowledge of the subject, and their industrial experience. Salary increases are based on effective teaching.

Faculty links with current industry practice are encouraged. For example, Bell & Howell Schools has an unusual program of industrial sabbaticals which involves placing faculty members on temporary assignments in industry. Faculty members also participate in the development of curricula by serving on committees which consider current technical developments. They visit

companies as part of the development process. Seventy individuals served on these committees in the past year, and 30 companies were visited. Further education is paid for by Bell & Howell Schools. Seventy-four individuals took advantage of this program during 1975 and 1976. Membership in professional societies is encouraged by reimbursing faculty members for membership dues and attendance at meetings; ninety percent of the faculty take advantage of this program.

E. Remedial Instruction

The curriculum of a school which provides effective training must mesh at the end with the needs of industry, but it must also mesh at the beginning with the skills and competencies of entering students. The instructional system must transform students from one skill level to another while helping as many students as possible to succeed.

This is no easy task, particularly when many students have not had a history of academic interests or success at the secondary level. Although virtually all enrolling students have a high school diploma, almost one-quarter of those tested upon admission do not have the basic skills in mathematics required to enter directly into one of the regular programs. For this reason, a remedial program is available. Mathematics, and generally science and communication skills, are taught using modularized materials and emphasizing tutoring and personal interaction. Without this program, we believe that many fewer students from disadvantaged educational backgrounds would have been able to complete our programs successfully.

F. Realistic Environment

There are several key aspects involved in attendance at a Bell & Howell School beyond the specific course work which prepare a student for obtaining and holding a job after graduation. One of the most significant of these involves part-time jobs. About 70 percent of the students hold part-time jobs, averaging 20 to 25 hours per week, while attending school. They help pay for their education in this way. Of equal importance, they

learn to interview for a job and learn to meet employer requirements and schedules. Bell & Howell Schools has an active program to assist students in finding these jobs.

Because the part-time job placement function is so crucial, it is run in each school as a separate function, using job counselors. The schools use sophisticated mailing techniques, such as zip codes mailings directed to locations where a concentration of students live, advertising, and phone calls to line up job leads prior to the enrollment date of a new class. Jobs are usually retail, office, factory, fast food, and so on, with a few in electronics. Job counselors talk to students individually and help them find a part-time job lead which fits their needs in terms of where they live, whether they have a car or need to take public transportation, how much money they need to make, what they are interested in, and class schedules. The program has been extremely successful in spite of the well-known scarcity of jobs for college-age people. Several companies actually recruit on-campus for part-time jobs. For example, ten companies recruited at the Chicago school this spring for an estimated 200 part-time jobs. The amount of effort used in finding employers and the attention given to trying to meet student needs are similar to the process of graduate placement. During 1976, 4,276 students beginning new programs sought help in finding a part-time job and 4,046 (94.6%) were placed usually by the fourth to the sixth week of the term. We estimate that Bell & Howell Schools students, over 10,000 in total with the inclusion of continuing students, earned over \$27 million from part-time jobs in 1976.

Further, all the schools have programs designed to help prepare students to function in an urban area. These programs cover subjects ranging from how to live in an apartment and take a bus to assistance in locating emergency help in the event of a crisis. Students are required to attend scheduled classes and laboratories. Absences exceeding 16 percent in any course will cause dismissal unless individually excused. Classes, study, work, transportation, and the general demands of living with a group of students require careful allocation of time, businesslike schedules, and self-discipline. This kind of realistic environment is an essential part of preparation for a job.

In conclusion, the need of industry for trained manpower, the need of young people for employment, training linked to the requirements of industry and the needs of students, and an active placement process all fit together in a system carefully designed to succeed in matching graduates to careers.

Table 1. BELL & HOWELL SCHOOLS PLACEMENT
AND SALARY HISTORY

	Graduates Placed				
	Year of Graduation				
	1972	1973	1974	1975	1976
Total Graduates	1741	2117	2764	3120	3710
Associate Degree Graduates Remaining at Bell & Howell Schools to Obtain a Bachelor's Degree	431	376	441	454	524
Graduates Leaving Bell & Howell Schools	1310	1741	2323	2666	3186
Asked for Assistance in Placement	1029	1486	1958	2022	2684
Placed Within 90 Days of Graduation*	80%	92%	94%	93%	93%
Not Placed Within 90 Days of Graduation	10%	4%	2%	4%	5%
Not Placed Within 90 Days of Graduation Because of Special Requirements of Graduates	10%	4%	4%	3%	2%
Did Not Request Assistance	281	255	365	644	502
Graduate Entering Military				8	4
" Continuing Education Outside BHS				136	86
" Did Not Respond to Follow Up				171	130
" Kept Electronics Employment				61	49
" Kept Non-Electronics Employment				54	43
" Not Seeking Now for Other Reasons				147	102
" Will Look for Job in Future				67	88

Average
Monthly Salaries**
(U.S. Schools Only)

Program	Year of Graduation				
	1972	1973	1974	1975	1976
Technician - Diploma	\$600	\$650	\$700	\$700	\$757
Technology - Associate Degree	670	734	775	800	845
Technology - Bachelor's Degree	739	800	850	875	964

* Percentage is in relation to graduates who requested placement assistance.

** A majority, but not all of placed graduates report salaries.

ATTENDEES AT THE
NATIONAL COMMISSION FOR MANPOWER POLICY
CONFERENCE ON LABOR MARKET INTERMEDIARIES

Federal Ballroom (North)
Capital Hill Quality Inn
Washington, D. C.

November 17, 1977

- *Dr. Eli Ginzberg, Chairman, A. Barton Hepburn Professor
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- Dr. Bernard Anderson, Industrial Research Unit, University
of Pennsylvania, Philadelphia, Pennsylvania
- Mr. William C. Carson, Executive Vice President, Bell &
Howell Schools, Evanston, Illinois
- Dr. William Franklin, College of Business, University of
Texas at San Antonio, San Antonio, Texas
- Mr. Mitchell Fromstein, President, International Marketing,
Manpower Temporary Services, Milwaukee, Wisconsin
- Dr. Martin Gannon, College of Business and Management,
University of Maryland, College Park, Maryland
- Ms. Jane Gilmer, Vice President for Classified Advertising,
Newspaper Advertising Bureau, New York, New York
- Dr. Robert Glover, Center for Studies of Human Resources,
University of Texas, Austin, Texas
- Mr. William Heartwell, Jr., Executive Vice-President,
Interstate Conference on Employment Security Agencies,
Washington, D. C.
- Mr. William Hewitt, Administrator, Office of Policy,
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ETA, Washington, D. C.
- Ms. Mariam Johnson, Olympus Research Corporation, San
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- Mr. William B. Lewis, Administrator, U.S. Employment
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Mr. William F. Markey, Jr., President, Positions, Inc.,
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- *From School to Work: Improving the Transition*, Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, August 1976. Stock No. 040-000-00364-9. Price \$3.00.
- *Employability, Employment and Income: A Reassessment of Manpower Policy*, Olympus Publishing Company, Salt Lake City, Utah 84105, September 1976.
- *Jobs for Americans*: Prentice Hall, Inc. Englewood Cliffs, New Jersey 07632, October 1976.